

CGLE 4-11-07

DESOTO PARISH POLICE JURY
Mansfield, Louisiana

Primary Government Financial Statements

Year Ended December 31, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 12-21-05



Certified Public Accountants • Management Consultants • Business Advisors

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Table of Contents
December 31, 2004**

	<u>Page</u>
Independent Auditor's Report.....	1-2
Required Supplementary Information – Part I:	
Management's Discussion and Analysis.....	3-10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities.....	12-13
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets.....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	16-17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Proprietary Fund:	
Statement of Net Assets	19
Statement of Revenues, Expenses, and Changes in Fund Net Assets	20
Statement of Cash Flows.....	21
Notes to Financial Statements.....	22-47
Required Supplementary Information – Part II:	
Budgetary Comparison Schedules:	
General Fund.....	48-49
Road Fund.....	50-51
Solid Waste Fund	52-53
Notes to Required Supplementary Information	54

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Table of Contents (Continued)
December 31, 2004**

	<u>Page</u>
Other Supplementary Information:	
Supplementary Information Schedules – Other Governmental Funds	55-56
Combining Balance Sheet- Other Governmental Funds	57
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances- Other Governmental Funds	58-59
Schedule of Compensation Paid to Police Jurors	60
Schedule of Expenditures of Federal Awards	61-62
Other Reports Required by Government Auditing Standards, the Louisiana Governmental Audit Guide, and OMB Circular A-133:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	63-64
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	65-66
Schedule of Findings and Questioned Costs	67-86
Management's Summary Schedule of Prior Audit Findings	87
Corrective Action Plan for Current Year Audit Findings	88-90

Independent Auditor's Report



Certified Public Accountants • Management Consultants • Business Advisors

Independent Auditors' Report

DeSoto Parish Police Jury
Mansfield, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the DeSoto Parish Police Jury, Mansfield, Louisiana, as of and for the year ended December 31, 2004, which collectively comprise the basic financial statements of the Police Jury's primary government as listed in the table of contents. These financial statements are the responsibility of the DeSoto Parish Police Jury's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the primary government of the DeSoto Parish Police Jury. The financial statements consist of all funds, organizations, institutions, agencies, departments, and offices that comprise the Police Jury's legal entity. The financial statements do not include financial data for the Police Jury's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the DeSoto Parish Police Jury's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the reporting entity of DeSoto Parish Police Jury, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the primary government financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the primary government of the DeSoto Parish Police Jury, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated September 29, 2005 on our consideration of the DeSoto Parish Police Jury's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information presented on pages 3-10 and on pages 48-54, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the DeSoto Parish Police Jury's primary government. The accompanying financial information listed as "other supplementary information" in the table of contents, including the schedule of expenditure of federal awards as required by the U. S. Office of management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the primary government basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements of the primary government taken as a whole.

Smith Pugh & Company, LLP

Smith Pugh & Company LLP
Certified Public Accountants
September 29, 2005

Required Supplementary Information – Part I
Management’s Discussion and Analysis

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Management's Discussion and Analysis (MD&A)
December 31, 2004**

This section of the DeSoto Parish Police Jury's (hereafter referred to as the Police Jury) annual financial report presents our discussion and analysis of the Police Jury's financial performance during the fiscal year ended December 31, 2004. Please read it in conjunction with our financial statements, which follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement 34, *Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments* issued in June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information in the first year, and that GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the Police Jury has elected to exclude the information in this report. Subsequent reports will include the comparative information.

The Police Jury also implemented the provisions of GASB Statement 37, *Basic Financial Statements – and Managements discussion and Analysis – for State and Local Governments*. This statement clarifies certain GASB 34 provisions related to MD&A requirements. The Police Jury also implemented GASB 38, *Certain Financial Statement Note Disclosures*.

FINANCIAL HIGHLIGHTS

In accordance with Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Police Jury has started to depreciate capital assets related to governmental activities resulting in a calculation of depreciation expense and accumulated depreciation as of December 31, 2004.

Effective July 1, 2004, the Police Jury transferred the responsibility for the accounting and administration of the DeSoto Parish Library to the DeSoto Parish Library Board of Control. On that date, responsibility for the assets and liabilities of the DeSoto Parish Library was assumed by the DeSoto Parish Library Board of Control.

At December 31, 2004, the assets of the Police Jury exceeded its liabilities by \$20,574,851 (net assets), a decrease of \$5,966,804 (22.5%) compared to the prior year's ending net assets of \$26,541,655. This decrease is primarily due to depreciation expense of \$ 6,277,098 recognized in the current period.

Ending net assets of \$6,397,335 (31.1%) is reported as "unrestricted net assets" and represents the amount available to be used to meet ongoing obligations to citizens and creditors in accordance with the Police Jury's fund designation and fiscal policies.

At the close of the fiscal year, the Police Jury's governmental funds reported a combined ending fund balance of \$6,582,037, a decrease of \$1,259,018 (16.1%) In 2004, revenue reported in the governmental funds increased \$332,989 (2.0%) while reported expenditures increased \$593,267 (3.5%). In addition, the transfer of assets and liabilities related to the DeSoto Parish Library resulted in a \$695,598 reduction in the ending fund balance reported by the governmental funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Police Jury's basic financial statements. The Police Jury's basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The basic financial statements include two kinds of financial statements that present different views of the Police Jury - the

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Management's Discussion and Analysis (MD&A)
December 31, 2004**

Government-wide Financial Statements and the Fund Financial Statements. The **Notes to the Financial Statements** explain some of the information in the financial statements and provide additional detail. This report also contains additional required supplementary information (budgetary schedules) and other supplementary information in addition to the basic financial statements. These components are described below:

Government-wide Financial Statements

The government-wide financial statements provide a broad view of the Police Jury's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the Police Jury's financial position, which assists users in assessing the Police Jury's economic condition at the end of the year. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting similar to methods used by most businesses. These statements report all revenues and expenses connected with the year even if cash has not been received or paid and include all assets of the Police Jury (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by GASB 34 in regards to interfund activity, payables, and receivables. The government-wide financial statements include two statements:

- **The statement of net assets** presents all of the Police Jury's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the Police Jury's net assets may serve as a useful indicator of whether the financial position of the Police Jury is improving or deteriorating.
- **The statement of activities** presents information showing how the Police Jury's net assets changed during the most recent year using the full accrual basis of accounting. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Therefore, some revenues and some expenses that are reported in this statement will not result in cash flows until future years.

These two statements report the Police Jury's *net assets* and changes in them. You can think of the Police Jury's net assets – the difference between assets and liabilities – as one way to measure the Police Jury's financial health, or *financial position*. Over time, *increases* or *decreases* in the Police Jury's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Police Jury's property tax base, to assess the overall health of the Police Jury.

Both of the above financial statements have separate sections for the two different types of Police Jury activities. These activities are:

Governmental Activities – The activities in this section are mostly supported by taxes and intergovernmental revenues (grants). Most services normally associated with a police jury fall into this category, including general government, public safety, public works, sanitation, health and welfare, cultural and recreation, community development, economic development, and transportation.

Business-type Activities – These functions are normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The business-type activities of the Police Jury consist of the provision of sewer services.

The government-wide financial statements can be found immediately following this discussion and analysis.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Management's Discussion and Analysis (MD&A)
December 31, 2004**

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Police Jury, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the Police Jury government, reporting the Police Jury's operations in more detail than the government-wide statements. The funds of the Police Jury can be divided into two categories. It is important to note that these fund categories use different accounting approaches and should be interpreted differently. The two categories of funds are:

- *Governmental funds.* Most of the basic services provided by the Police Jury are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the year. Such information may be useful in evaluating the Police Jury's near-term financing requirements. This approach is known as using the flow of financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the Police Jury's finances and assists in determining whether there will be adequate financial resources available to meet the current needs of the Police Jury.

Because the focus of the governmental funds financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, users may better understand the long-term impact of the Police Jury's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented on the page immediately following each governmental funds financial statement.

The Police Jury maintains thirteen governmental funds: the General Fund, eleven special revenue funds, and one capital project fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, the Road Fund, the Solid Waste Fund, and the WIA Fund, which are classified as major funds. Data from the other non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental funds financial statements can be found immediately following the government – wide financial statements.

- *Proprietary Funds.* These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge fees for services provided to outside customers they are known as enterprise funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Management's Discussion and Analysis (MD&A)
December 31, 2004**

The Police Jury has one enterprise fund, the Eastside Sewer Fund, which is considered a major proprietary fund for presentation purposes.

The basic proprietary fund financial statements can be found immediately following the governmental fund financial statements.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the funds financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes budgetary comparison schedules for the General Fund and major special revenue funds. Annual budgets are prepared in accordance with the Generally Accepted Accounting Principles (GAAP). Following the required supplementary information is supplementary information that is provided to show additional details.

FINANCIAL ANALYSIS OF GOVERNMENT-WIDE ACTIVITIES

As noted earlier, the Police Jury has not restated prior period governmental activity expenses for purposes of providing comparative data, due to the pervasive changes required to implement GASB 34. In future years, however, a comparative analysis of government-wide data will be presented.

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Police Jury's financial position. The Police Jury's combined net assets (governmental and business-type activities) totaled \$20,574,851 at December 31, 2004.

The Police Jury's net assets of \$14,177,516 (68.9%) reflects its investment in capital assets such as land, buildings, equipment, sewer plant and improvements, and infrastructure (streets, bridges, lighting, sidewalks and drainage improvements), less any related debt used to acquire those assets that is still outstanding. The Police Jury uses these capital assets to provide services to the citizens of the parish; consequently, these assets are not available for future spending. Although the Police Jury's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The other portion of the Police Jury's net assets, \$6,397,335 (31.1%) is unrestricted and may be used to meet the Police Jury's ongoing obligations to citizens and creditors at the discretion of the jurors. \$3,504,180 (54.8%) of the unrestricted net assets of the Police Jury consists of cash, demand deposits, certificates of deposit and investments in the Louisiana Asset Management Plan (LAMP).

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Management's Discussion and Analysis (MD&A)
December 31, 2004**

	Governmental Activities	Business-type Activities	Total
Current and Other Assets	\$ 7,284,184	\$ 1,814	\$ 7,285,998
Capital Assets	19,013,499	128,810	19,142,309
Total Assets	26,297,683	130,624	26,428,307
Current Liabilities	519,154	-	519,154
Long-term Liabilities Outstanding	5,220,144	-	5,220,144
Other Liabilities	113,888	270	114,158
Total Liabilities	5,853,186	270	5,853,456
Net Assets			
Invested in Capital Assets - Net of Related Debt	14,048,706	128,810	14,177,516
Unrestricted	6,395,791	1,544	6,397,335
Total Net Assets	\$ 20,444,497	\$ 130,354	\$ 20,574,851

Changes in Net Assets

The Police Jury's net assets decreased by \$5,966,804 (22.5%) during the year ended December 31, 2004.

Approximately 8.0% (\$1,351,127) of the Police Jury's total revenues was derived through charges for services while approximately 46.8% (\$7,947,708) was derived from general revenues including taxes, video poker revenues, state revenue sharing, rent and royalties, sale of assets, and interest. The Police Jury received \$7,686,927 (45.2%) of its total revenues through program grants and contributions.

The largest expenses were for public works (42.5%), economic development (25.6%), sanitation (7.6%), and public safety (4.9%). In fiscal year 2004, governmental activity expenses exceeded program revenues resulting in the use of \$7,947,708 in general revenues, mostly taxes. Net expenses from business-type activities in fiscal year 2004 exceeded revenues by \$45,240.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Management's Discussion and Analysis (MD&A)
December 31, 2004**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,336,273	\$ 14,854	\$ 1,351,127
Operating grants and contributions	7,352,741	-	7,352,741
Capital grants and contributions	334,186	-	334,186
General revenues:			
Taxes	7,609,463	-	7,609,463
State revenue sharing	68,828	-	68,828
Video poker revenue	77,318	-	77,318
Rentals, leases and royalties	111,222	-	111,222
Interest	71,182	-	71,182
Other	9,695	-	9,695
Total revenues	<u>16,970,908</u>	<u>14,854</u>	<u>16,985,762</u>
Expenses:			
General government	2,684,537	-	2,684,537
Water and sewer	-	60,094	60,094
Public safety	1,085,913	-	1,085,913
Public works	9,448,345	-	9,448,345
Sanitation	1,681,669	-	1,681,669
Culture and recreation	385,433	-	385,433
Health and welfare	787,609	-	787,609
Community development	294,087	-	294,087
Economic development	5,701,528	-	5,701,528
Transportation	69,652	-	69,652
Interest on long-term debt	58,101	-	58,101
Total expenses	<u>22,196,874</u>	<u>60,094</u>	<u>22,256,968</u>
Increase (decrease) in net assets before transfers	<u>(5,225,966)</u>	<u>(45,240)</u>	<u>(5,271,206)</u>
Transfers	<u>(725,598)</u>	<u>30,000</u>	<u>(695,598)</u>
Change in net assets	<u>(5,951,564)</u>	<u>(15,240)</u>	<u>(5,966,804)</u>
Net assets - beginning of year	<u>26,396,061</u>	<u>145,594</u>	<u>26,541,655</u>
Net assets - end of year	<u><u>\$ 20,444,497</u></u>	<u><u>\$ 130,354</u></u>	<u><u>\$ 20,574,851</u></u>

FINANCIAL ANALYSIS OF THE INDIVIDUAL FUNDS

As noted earlier, the Police Jury uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The general government functions of the Police Jury are reported in the General, Special Revenue, and Capital Projects Funds. The focus of the Police Jury's governmental funds is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Police Jury's

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Management's Discussion and Analysis (MD&A)
December 31, 2004**

annual financing and budgeting requirements. In particular, unreserved fund balance may serve as a useful measure of the Police Jury's net resources available for spending at the end of the year.

At the end of the current fiscal year, the Police Jury's governmental funds reported combined ending fund balances of \$6,582,037, a decrease of \$1,259,018 in comparison with the prior year. This amount is *unreserved fund balance*, and is available for spending at the Police Jury's discretion.

As of the end of the current year, the General Fund, the Police Jury's chief operating fund, reported an ending fund balance of \$4,325,927, a decrease of \$659,607 (13.2%) compared to the prior year. As a measure of the General fund's liquidity, we compare the fund's unreserved fund balance to total fund expenditures. Unreserved fund balance represents 119.7% of total fund expenditures.

The key factor in the current year's decrease in the General Fund's unreserved fund balance was a \$629,450 increase in transfers out to other funds.

The Road Fund reported an ending fund balance of \$988,301, a decrease in unreserved fund balance of \$62,671 (5.96%) as compared with the prior year.

The Solid Waste Fund reported an ending fund balance of \$870,452, an increase in unreserved fund balance of \$51,750 (6.32%) as compared with the prior year.

Proprietary Fund

The Police Jury's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

At the end of the current fiscal year, the Police Jury's proprietary fund, Eastside Sewer Fund, reported ending net assets of \$130,354, a decrease of \$15,240 (10.5%) in comparison with the prior year. \$128,810 ((98.8%) of the reported ending net assets represents investment in capital assets net of accumulated depreciation and related outstanding debt.

GENERAL FUND BUDGETARY HIGHLIGHTS

The budget policy of the Police Jury complies with state law, as amended, and as set forth in Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA – R.S. 39:1301 et seq.).

The budget is prepared in accordance with accounting principles generally accepted in the United States of America and is approved by the Police Jurors following a public hearing. The 2004 budget was adopted on December 29, 2003 with total General Fund expenditures totaling \$2,597,704, a decrease of \$751,618 compared to the prior year final budgeted expenditures.

The Police Jury did not amend its budgets during the fiscal year ended December 31, 2004.

Revenues and other financing sources available for expenditure were \$355,648 above the budgeted amounts.

Expenditures and other financing uses were \$1,015,255 more than the amount budgeted.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Management's Discussion and Analysis (MD&A)
December 31, 2004**

CAPITAL ASSET ADMINISTRATION

The Police Jury's investment in capital assets for its governmental and business-type activities as of December 31, 2004 totaled \$192,191,513, net of accumulated depreciation of \$173,049,204, leaving a book value of \$19,142,309. This investment in capital assets consists of land, buildings, equipment, sewer plant and improvements, and infrastructure (streets, bridges, lighting, sidewalks and drainage improvements). The total increase in the Police Jury's investment in capital assets for the current year was \$1,058,147 about .55% in terms of historical cost. Depreciation charges for the year totaled \$6,300,826.

DEBT ADMINISTRATION

State law restricts the amount of debt that the Police Jury may issue. The aggregate principal amount of debt may not exceed 10% of the assessed valuation for property tax purposes of all real and personal property located within the parish. The Police Jury's total debt outstanding at year end was well below this limitation.

At the year-end, the Police Jury had \$3,895,000 in general obligation bonds outstanding, a decrease of \$190,000 (4.6%) compared to the prior year and \$1,069,793 in capital lease obligations, a decrease of \$326,613 (23.4%), as a result of normal amortization of debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The annual budget is developed to provide efficient, effective and economic uses of the Police Jury's resources, as well as, a means to accomplish the highest priority objectives. Through the budget, the Police Jurors set the direction of the Parish, allocate its resources, and establish its priorities.

The following economic factors were considered when the budget for the fiscal year ended December 31, 2005 was prepared:

- Revenues are expected to remain consistent with the prior year.
- The Police Jury plans to purchase various pieces of equipment for the Road Department.
- The Police Jury expects to purchase new scales at the landfill.
- The Police jury anticipates hiring additional employees during 2005.
- Health care and pension costs are expected to increase significantly in 2005.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and investors with a general overview of the finances of the DeSoto Parish Police Jury and seeks to demonstrate the Police Jury's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for separate reports of the Police Jury's component units or for additional information should be addressed to the DeSoto Parish Police Jury, P. O. Box 898, Mansfield, Louisiana 71052, or by calling (318) 872-0738.

Basic Financial Statements

Government-wide Financial Statements

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Statement of Net Assets
December 31, 2004**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,614,563	\$ 422	\$ 1,614,985
Investments	1,889,195	-	1,889,195
Receivables (net of allowances for uncollectibles)	3,773,781	1,392	3,775,173
Inventory	6,645	-	6,645
Capital assets (net)	19,013,499	128,810	19,142,309
Total Assets	26,297,683	130,624	26,428,307
LIABILITIES			
Accounts payable	\$ 420,813	\$ -	\$ 420,813
Accrued interest	58,101	-	58,101
Deposit balances	-	270	270
Litigation settlement	40,240	-	40,240
Due to other governments	113,888	-	113,888
Long-term liabilities:			
Due within one year	531,782	-	531,782
Due in more than one year	4,688,362	-	4,688,362
Total Liabilities	5,853,186	270	5,853,456
NET ASSETS			
Invested in capital assets - (net of related debt)	14,048,706	128,810	14,177,516
Unrestricted	6,395,791	1,544	6,397,335
Total Net Assets	\$ 20,444,497	\$ 130,354	\$ 20,574,851

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

**DeSoto Parish Police Jury
Mausfield, Louisiana**

**Statement of Activities
For the Year Ended December 31, 2004**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grant and Contributions	Capital Grants & Contributions
Primary Government:				
Governmental Activities				
General government:				
Legislative	\$ 483,093	\$ 138,445	\$ 96,314	\$ -
Judicial	827,433	396,822	18,664	-
Elections	32,050	-	-	-
Finance and Administration	989,131	31,734	-	-
Other	352,830	-	265,945	83,596
Public safety	1,085,912	179,036	-	-
Public works	9,448,345	154,770	272,141	-
Sanitation	1,681,669	420,118	-	-
Culture and recreation	385,433	6,955	270	-
Health and welfare	787,609	-	849,343	-
Community development	294,087	-	231,931	-
Economic development	5,701,528	-	5,605,633	-
Transportation	69,652	8,393	12,500	250,590
Interest on long-term debt	58,101	-	-	-
Total Governmental Activities	<u>22,196,873</u>	<u>1,336,273</u>	<u>7,352,741</u>	<u>334,186</u>
Business-Type Activities				
Eastside sewer	60,094	14,854	-	-
Total Primary Government	<u>\$ 22,256,967</u>	<u>\$ 1,351,127</u>	<u>\$ 7,352,741</u>	<u>\$ 334,186</u>
General Revenues:				
Ad valorem taxes				
Sales taxes				
Severance Taxes				
Miscellaneous taxes				
Video Poker				
Investment earnings				
State revenue sharing				
Gain on sale of capital assets				
Rentals, leases and royalties				
Transfers:				
DeSoto Parish Library				
Interfund				
Total general revenues and transfers				
Changes in Net Assets				
Net assets - beginning				
Net assets - ending				

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Statement of Activities
For the Year Ended December 31, 2004**

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (248,334)	\$ -	\$ (248,334)
(411,947)	-	(411,947)
(32,050)	-	(32,050)
(957,397)	-	(957,397)
(3,289)	-	(3,289)
(906,876)	-	(906,876)
(9,021,434)	-	(9,021,434)
(1,261,551)	-	(1,261,551)
(378,208)	-	(378,208)
61,734	-	61,734
(62,156)	-	(62,156)
(95,895)	-	(95,895)
201,831	-	201,831
(58,101)	-	(58,101)
(13,173,673)	-	(13,173,673)
-	(45,240)	(45,240)
(13,173,673)	(45,240)	(13,218,913)
3,125,830	-	3,125,830
3,169,329	-	3,169,329
1,244,526	-	1,244,526
69,778	-	69,778
77,318	-	77,318
71,181	-	71,181
68,828	-	68,828
9,695	-	9,695
111,222	-	111,222
(695,598)	-	(695,598)
(30,000)	30,000	-
7,222,109	30,000	7,252,109
(5,951,564)	(15,240)	(5,966,804)
26,396,061	145,594	26,541,655
\$ 20,444,497	\$ 130,354	\$ 20,574,851

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

Fund Financial Statements

DeSoto Parish Police Jury
Mansfield, Louisiana

Balance Sheet
Governmental Funds
December 31, 2004

	Major Funds				Total Governmental Funds
	General Fund	Road Fund	Solid Waste Fund	WIA Fund	
ASSETS					
Cash and cash equivalents	\$ 1,204,750	\$ 4,286	\$ 2,227	\$ -	\$ 1,614,563
Investments	1,875,758	-	-	-	1,889,195
Receivables (net of allowance for uncollectibles)	1,345,053	949,903	904,638	-	3,773,781
Inventory	-	-	-	-	6,645
Due from other funds	230,748	149,192	47,279	-	464,755
Total assets	\$ 4,656,309	\$ 1,103,381	\$ 954,144	\$ -	\$ 7,748,939
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 176,673	\$ 86,796	\$ 55,307	\$ -	\$ 420,813
Due to other funds	5,277	4,494	4,071	-	464,755
Due to other governments	113,888	-	-	-	113,888
Deferred revenues	34,544	23,790	24,314	-	167,446
Total Liabilities	330,382	115,080	83,692	-	1,166,902
Fund balances:					
Unreserved, reported in:					
General fund	4,325,927	-	-	-	4,325,927
Special revenue funds	-	988,301	870,452	-	2,256,110
Total fund balances	4,325,927	988,301	870,452	-	6,582,037
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,656,309	\$ 1,103,381	\$ 954,144	\$ -	\$ 7,748,939

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
December 31, 2004**

Total Fund balance, Governmental Funds	\$	6,582,037
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Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not current financial
resources and, therefore, are not reported in this fund financial statement
but are reported in the governmental activities of the Statement of Net Assets

Cost of capital assets	\$ 191,706,278		
Less - Accumulated depreciation	<u>172,692,779</u>		19,013,499

Certain deferred revenues are reported in the governmental funds but not in the Statement of Net Assets		167,446
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Long-term liabilities are not due and payable in the current period and are not
included in the fund financial statements but are included in the governmental
activities of the Statement of Net Assets

General obligation bonds	3,895,000		
Capital leases	1,069,793		
Compensated absences	<u>255,351</u>		(5,220,144)

Some expenses reported in the statement of activities do not require the
use of current financial resources and therefore are not reported as
expenditures in governmental funds:

Litigation settlement		(40,240)
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Interest on long-term debt is accrued in the Statement of Net Assets but not in the governmental funds		<u>(58,101)</u>
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Net Assets of Governmental Activities in the Statement of Net Assets	\$	<u>20,444,497</u>
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**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2004**

	General Fund	Road Fund	Major Funds Solid Waste Fund	WIA Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Ad valorem	\$ 1,199,784	\$ 824,573	\$843,565	\$ -	\$ 170,407	\$ 3,038,329
Sales and use	-	1,751,356	525,407	-	892,566	3,169,329
Severance	622,263	622,263	-	-	-	1,244,526
Licenses and permits	138,445	-	-	-	13,983	152,428
Intergovernmental revenues:						
Federal grants	318,934	-	-	5,605,633	1,311,776	7,236,343
State funds:						
Parish transportation funds	-	272,141	-	-	-	272,141
Grants	43,325	-	-	-	23,739	67,064
State revenue sharing (net)	22,125	30,488	-	-	16,215	68,828
Video poker	77,318	-	-	-	-	77,318
Other	196,487	-	207	-	-	196,694
Fees, charges, and commissions for services	123,239	154,770	420,118	-	170,997	869,124
Fines and forfeitures	-	-	-	-	396,822	396,822
Investment earnings	58,068	2,340	1,218	-	9,556	71,182
Other revenues	118,841	408	-	-	50,281	169,530
Total Revenues	<u>2,918,829</u>	<u>3,658,339</u>	<u>1,790,515</u>	<u>5,605,633</u>	<u>3,056,342</u>	<u>17,029,658</u>
EXPENDITURES						
General government:						
Legislative	263,484	-	-	-	133,510	396,994
Judicial	453,857	-	-	-	363,730	817,587
Elections	28,837	-	-	-	-	28,837
Finance and administrative	938,172	-	-	-	-	938,172
Other	342,464	-	-	-	-	342,464
Public safety	72,786	-	-	-	889,417	962,203
Public works	-	3,611,651	-	-	-	3,611,651
Sanitation	-	-	1,474,338	-	-	1,474,338
Cultural and recreation	17,894	-	-	-	330,548	348,442
Health and welfare	14,203	-	-	-	770,906	785,109
Community development	-	-	-	-	291,627	291,627
Economic development	95,895	-	-	5,605,633	-	5,701,528
Transportation	-	-	-	-	63,169	63,169
Capital outlay	101,188	102,977	273,898	-	580,084	1,058,147
Debt service:						
Principal retirement	190,001	124,327	202,286	-	-	516,614
Interest and other charges	181,903	13,786	40,202	-	-	235,891
Total Expenditures	<u>2,700,684</u>	<u>3,852,741</u>	<u>1,990,724</u>	<u>5,605,633</u>	<u>3,422,991</u>	<u>17,572,773</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>218,145</u>	<u>(194,402)</u>	<u>(200,209)</u>	<u>-</u>	<u>(366,649)</u>	<u>(543,115)</u>

(Continued)

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2004**

	General Fund	Road Fund	Major Funds		Other Governmental Funds	Total Governmental Funds
			Solid Waste Fund	WIA Fund		
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ 33,623	\$ 125,000	\$ 250,000	\$ -	\$ 507,275	\$ 915,898
Transfers out	(912,275)	-	-	-	(33,623)	(945,898)
Transfer to DeSoto Parish Library	-	-	-	-	(695,598)	(695,598)
Sale of capital assets	900	6,731	1,959	-	105	9,695
Total Other Financing Sources and Uses	(877,752)	131,731	251,959	-	(221,841)	(715,903)
Net Change in Fund Balance	(659,607)	(62,671)	51,750	-	(588,490)	(1,259,018)
Fund balances -beginning- (restated)	4,985,534	1,050,972	818,702	-	985,847	7,841,055
Fund balances - ending	<u>\$ 4,325,927</u>	<u>\$ 988,301</u>	<u>\$ 870,452</u>	<u>\$ -</u>	<u>\$ 397,357</u>	<u>\$ 6,582,037</u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
December 31, 2004**

Net change in fund balances - Governmental Funds		\$ (1,259,018)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental Funds report capital outlays as expenditures because such outlays use current financial resources. However, for governmental activities those capital outlays are reported in the Statement of Net Assets and are allocated over their useful lives in the Statement of Activities. This is the amount by which depreciation exceeds capital outlays in the period.		
Capital outlays	\$ 1,058,147	
Less- Depreciation expense	<u>6,277,098</u>	(5,218,951)
Repayment of long-term liabilities is reported as an expenditure in the Governmental Funds but the repayment reduces long-term liabilities in the Statement of Net Assets.		
Principal repayment		516,614
In the Statement of Activities, certain operating expenses, such as compensated absences are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amounts actually paid		
Increase in accrued compensated absences		(59,314)
Because of the timing of actual receipt, some revenues are not considered "available" to pay current obligations and are not reported in the Governmental Funds. They are, however, reported in the Statement of Activities		
		167,446
Interest on long-term debt in the Statement of Activities differs from the amount reported in the Governmental Funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		
Increase in accrued interest on capital leases and bonds payable		(58,101)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the Governmental Funds		
Litigation settlement		<u>(40,240)</u>
Change in Net Assets of Governmental Activities		<u>\$ (5,951,564)</u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

Proprietary Fund

DeSoto Parish Police Jury
Mansfield, Louisiana

Statement of Net Assets
Proprietary Fund
December 31, 2004

Business-Type Activities - Enterprise Fund

	Eastside Sewer Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 422
Receivables (net of allowances for uncollectibles)	1,392
Total Current Assets	<u>1,814</u>
Non-Current Assets:	
Capital assets (net of accumulated depreciation)	<u>128,810</u>
Total Assets	<u>130,624</u>
LIABILITIES	
Non Current Liabilities	
Customer deposits	<u>270</u>
NET ASSETS	
Invested in capital assets, net of related debt	128,810
Unrestricted	<u>1,544</u>
Total Net Assets	<u>\$ 130,354</u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
Year Ended December 31, 2004**

Business-Type Activities - Enterprise Fund	
	<u>Eastside Sewer Fund</u>
Operating Revenues:	
Charges for services:	\$ 14,854
Operating Expenses:	
General and administrative	20,522
Official fees	1,074
Professional fees	960
Materials, supplies, and repairs	1,087
Utilities and communications	4,097
Depreciation expense	23,728
Bad debt expense	8,626
Total Operating Expenses	<u>60,094</u>
Operating Loss	(45,240)
Transfers In	<u>30,000</u>
Changes in Net Assets	(15,240)
Total Net Assets - Beginning	<u>145,594</u>
Total Net Assets - Ending	<u><u>\$ 130,354</u></u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

DeSoto Parish Police Jury
Mansfield, Louisiana

Statement of Cash Flows
Proprietary Fund
Year Ended December 31, 2004

Business-Type Activities - Enterprise Fund	
	Eastside Sewer Fund
Cash Flows From Operating Activities:	
Cash received from customers and users	\$ 12,736
Cash paid to suppliers for goods and services	(28,124)
Net Cash Used by Operating Activities	<u>(15,388)</u>
Cash Flows From Non Capital Financing Activities:	
Repayment of bank overdraft	(14,190)
Transfers from other funds	30,000
Net Cash Provided by Non Capital Financing Activities	<u>15,810</u>
Net Increase in Cash and Cash Equivalents	422
Cash and Cash Equivalents, Beginning of Year -	-
Cash and Cash Equivalents, End of Year	<u>\$ 422</u>
Reconciliation of loss from operations to net cash used by Operating Activities:	
Loss from operations	\$ (45,240)
Depreciation expense	23,728
Increase in accounts receivable	(2,118)
Increase in allowance for uncollectible accounts	8,626
Increase (decrease) in accounts payable	(384)
Total Adjustments	<u>29,852</u>
Net Cash Provided by Operating Activities	<u>\$ (15,388)</u>
Noncash Investing, Capital, and Financial Activities	None

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

Notes to the Financial Statements

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Notes to Financial Statements
December 31, 2004**

Introduction

DeSoto Parish, located in Northwest Louisiana, was established by Act 88 of 1843. The Parish has a population of approximately 25,780. The DeSoto Parish Police Jury (hereinafter referred to as "Police Jury") is the governing authority for DeSoto Parish and is a political subdivision of the State of Louisiana. The Police Jury is governed by eleven compensated jurors representing the various districts within the parish. The jurors serve four-year terms which expire in January 2008.

Louisiana Revised Statute 33:1236 gives the Police Jury various powers in regulating and directing the affairs of the parish and its inhabitants. The more notable of those are the power to make regulations for their own government, to regulate the construction and maintenance of roads and bridges, to regulate the construction and maintenance of drainage systems, to regulate the sale of alcoholic beverages, and to provide for the health and welfare of the poor, disadvantaged, and unemployed of the parish. Funding to accomplish these tasks is provided by ad valorem taxes, sales and use taxes, beer and alcoholic beverage permits, state revenue sharing, and various other state and federal grants.

The Police Jury complies with Generally Accepted Accounting Principles (GAAP). The Police Jury applies all relevant Government Accounting Standards Board (GASB) pronouncements. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Police Jury's proprietary fund applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless the pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. GAAP as applicable to governments also conforms to the requirements of Louisiana R.S. 24:517 and the guides set forth in the *Louisiana Municipal Audit and Accounting Guide* and to the industry guide, *Audits of State and Local Government Units*, published by the American Institute of Certified Public Accountants.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under the provisions of this Statement, the Police Jury is considered a primary government since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Police Jury may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, or issue bonded debt.

1. Summary of Significant Accounting Policies

The DeSoto Parish Police Jury's financial statements are prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, issued in June 1999. The more significant accounting policies established in GAAP and used by the DeSoto Parish Police Jury are discussed below.

A. Reporting Entity

As the governing authority of the parish, for reporting purposes, the DeSoto Parish Police Jury is the financial reporting entity for DeSoto Parish. The financial reporting entity consists of (a) the primary government (Police Jury), (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Notes to Financial Statements
December 31, 2004**

1. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

relationship with the Police Jury is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the DeSoto Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

1. Appointing a voting majority of an organization's governing body, and:
 - a. The ability of the Police Jury to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Police Jury.
2. Organizations for which the Police Jury does not appoint a voting majority but are fiscally dependent on the Police Jury.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature of significance of the relationship

Based on the previous criteria, the Police Jury has determined that the following component units are part of the reporting entity:

<u>Component Unit</u>	<u>Fiscal Year End</u>	<u>Criteria Used</u>
DeSoto Parish:		
Library	December 31	1,2, and 3
Tourism Commission	December 31	1,2, and 3
Tax Assessor	December 31	2 and 3
Sheriff	June 30	2 and 3
Clerk of Court	June 30	2 and 3
Fire Districts:		
No. 1	December 31	1 and 3
No. 2	December 31	1 and 3
No. 3	December 31	1 and 3
No. 5	December 31	1 and 3
No. 8	December 31	1 and 3
No. 9	December 31	1 and 3
East DeSoto Ambulance District	December 31	1 and 3

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Notes to Financial Statements
December 31, 2004**

1. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Complete financial statements of the individual component units may be obtained from their respective administration offices or from the DeSoto Parish Police Jury, Mansfield, Louisiana.

The Police Jury has chosen to issue financial statements of the primary government (Police Jury) only; therefore none of the previously listed component units are included in the accompanying financial statements.

GASB Statement No. 14 provides for the issuance of primary government financial statements that are separate from those of the reporting entity. However, the primary government's (Police Jury) financial statements are not a substitute for the reporting entity's financial statements. The accompanying primary government financial statements have been prepared in conformity with generally accepted accounting principles as applied to governmental units except for the exclusion of component units as discussed above.

The financial statements consist of all funds, organizations, institutions, agencies, departments, and offices that comprise the Jury's legal entity and for which the Police Jury maintains the accounting records. These financial statements include the activities of the DeSoto Parish Library (through June 30, 2004, when the library became a separate legal entity and began maintaining its own accounting records), the DeSoto Parish Airport, the DeSoto Parish Community Services, Eastside Sewer District, and the 911 Communication District

The financial statements do not include financial data for the Jury's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the DeSoto Parish Police Jury's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the DeSoto Parish Police Jury and the changes in financial position in conformity with accounting principles generally accepted in the United States of America, but rather are intended to reflect only the financial statements of the primary government (Police Jury).

B. Basis of Presentation

The Police Jury implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Government*; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, in 2004. Implementation of these standards required a change in the reporting format, additional footnote disclosures, and the inclusion of management's discussion and analysis as required supplementary information. Implementation of these standards had no impact on the opening fund balances of the Police Jury.

The Police Jury's Primary Government Basic Financial Statements consist of Government-wide Financial Statements, including a Statement of Net Assets and a Statement of Activities, and Fund Financial Statements, which provide a more detailed level of financial information. Both government-wide and fund financial statements categorize activities as either governmental activities or business-type activities.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Notes to Financial Statements
December 31, 2004**

1. Summary of Significant Accounting Policies (continued)

C. Fund Accounting

The Police Jury uses funds to maintain its financial records during the year. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

The funds of the Police Jury are classified into two categories: governmental and proprietary. The Police Jury uses governmental funds to account for all or most of the Police Jury's general activities, including the collection and disbursement of specifically or legally restricted monies (special revenue funds) and the acquisition or construction of general fixed assets (capital project funds). These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between the governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources which may be used to finance future period programs or operations.

The following are the Police Jury's governmental funds:

General Fund – The General Fund is the primary operating fund of the DeSoto Parish Police Jury. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue resources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditure for specific purposes.

Capital Project Funds – Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Proprietary funds are used to account for ongoing organizations and activities that are similar to those often found in the private sector. The measurement focus is based upon determination of net income, financial position, and cash flows. The following is the Police Jury's proprietary fund type:

Enterprise Funds – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Notes to Financial Statements
December 31, 2004**

1. Summary of Significant Accounting Policies (continued)

D. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Government-Wide Financial Statements (GWFS)

The Statement of Net Assets and the Statement of Activities report information on all the financial activities of the Police Jury. Individual funds are not displayed, but the statements distinguish governmental activities, which are normally supported by taxes and intergovernmental revenues, from business-type activities, which rely to a significant extent on fees and charges for support. The effect of most interfund activity is eliminated from these financial statements.

Information contained in these statements reflects the “economic resources” measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment of Police Jury activities is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. The Police Jury does not allocate indirect expenses to functions in the Statement of Activities. Program revenues included in the Statement of Activities are (1) derived directly from charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function, (2) operating grants and contributions, and (3) capital grants and contributions. For identifying to which function program revenue pertains, the determining factor for charges for services is which function generates the revenue. For grants and contributions, the determining factor is to which functions the revenues are restricted. Revenues not classified as program revenues are presented as general revenues, which include ad valorem taxes, sales taxes, franchise taxes, 911 telephone tariff, severance taxes, beer taxes, state revenue sharing, interest, and other unrestricted revenues. Program revenues reduce the cost of the function to be financed from the Police Jury’s general revenues.

Fund Financial Statements (FFS)

The fund financial statements report financial information by major and nonmajor funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each of which is displayed in a separate column. Nonmajor funds are aggregated and presented in a single column.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Notes to Financial Statements
December 31, 2004**

1. Summary of Significant Accounting Policies (continued)

D. Measurement Focus and Basis of Accounting (continued)

A fund is considered major if it is the primary operating fund of the Police Jury or if it meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent (10%) of the corresponding total for all funds of that category or type.
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least five percent (5%) of the corresponding total for all government and enterprise funds combined.
- c. The Police Jury's management believes that the fund is particularly important to the financial statement users.

The Police Jury's major funds are described as follows:

Major governmental Funds:

General Fund – The General Fund is the primary operating fund of the Police Jury. It accounts for all activities except those required to be accounted for in other funds.

Road Fund - The Road Fund is a special revenue fund used to account for the operations and maintenance of parish highways, streets, and bridges. Financing is provided by the State of Louisiana Parish Transportation Fund, ad valorem taxes, sales taxes, and state revenue sharing funds.

Solid Waste Fund – The Solid Waste Fund is a special revenue fund used to account for the construction and operation of the parish solid waste collection and disposal facilities. Financing is provided by both an ad valorem and a sales and use tax.

Workforce Investment Act Fund (WIA) – The Workforce Investment Act (WIA) Fund is a special revenue fund used to account for grants from the United States Department of Labor passed through the Louisiana Department of Labor. Grants are subsequently transferred to the Coordinating and Development Corporation, which administers the program under contract with the Police Jury. The WIA program provides job training and related assistance to economically disadvantaged individuals. The ultimate goal of the program is to move trainees into permanent, self-sustaining employment.

All other governmental funds are considered nonmajor funds.

Major Business-Type Funds:

Proprietary Fund – The Enterprise Fund (Eastside Sewer Fund) accounts for the operations of the Police Jury's sewer system. Business-Type funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services in connection with the fund's ongoing operation. Financing of the Enterprise fund is provided by user fees and transfers from the General Fund.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Notes to Financial Statements
December 31, 2004**

1. Summary of Significant Accounting Policies (continued)

D. Measurement Focus and Basis of Accounting (continued)

Governmental Fund Financial Statements - The amounts reflected in the Governmental Fund Financial Statements are accounted for using the "current financial resources" measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. When the "current financial resources" measurement focus is used, amounts recorded as assets exclude capital assets and the acquisition of capital assets is treated as expenditure. Furthermore, long-term debts are excluded from amounts reported as liabilities. Proceeds from issuing long-term debt are reported as an other financing source and repayment of long-term debt is reported as expenditure. The statement of revenues, expenditures, and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of the Police Jury's operations.

The amounts reflected in the Governmental Fund Financial Statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Police Jury considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred; however, principle and interest on general obligation long-term debt is recognized when due.

The governmental funds use the following practices in recording revenues and expenditures:

Federal and state entitlements (which include state revenue sharing) are recorded as unrestricted grants-in-aid when available and measurable. Revenue from federal and state grants are recognized when all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when resources are required to be used or the year when use is first permitted; matching requirements, in which the Parish must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Police Jury on a reimbursement basis.

Ad valorem taxes and the related state revenue sharing are recorded in the year the taxes are assessed. Ad valorem taxes are assessed on a calendar year basis and attach as an enforceable lien and become due and payable on the date the tax rolls are filed with the recorder of mortgages. Louisiana Revised Statute 47:1993 requires that the tax roll be filed on or before November 15 of each year. Ad valorem taxes become delinquent if not paid by December 31. The taxes are generally collected in December of the current year and January and February of the ensuing year.

Sales tax revenues are recorded in the period in which the underlying exchange has occurred. Gaming tax revenues are recorded in the period during which the exchange transactions on which the tax is imposed occur. Fines, forfeitures, fees, and court costs are recognized in the period they are collected by the DeSoto Parish Sheriff.

Interest earnings on deposits are recorded when earned.

Those revenues susceptible to accrual are sales taxes, property taxes, franchise taxes, grants, interest revenue and charges for services. Substantially all other revenues, including fines, permits, and license revenues are not susceptible to accrual because generally they are not measurable until received in cash.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Notes to Financial Statements
December 31, 2004**

1. Summary of Significant Accounting Policies (continued)

D. Measurement Focus and Basis of Accounting (continued)

Salaries and related benefits are recorded when employee services are provided.

Purchases of various operating supplies are recorded as expenditures in the accounting period in which they are purchased.

Commitments under construction contracts are recognized as expenditures when earned by the contractor.

Substantially all other expenditures are recognized as expenditures when the related fund liability has been incurred.

Transfers between funds that are not expected to be repaid, sales of assets, proceeds from the sale of bonds, capitalized leases, compensation for loss of assets, and the proceeds from accrued interest on the sale of bonds are accounted for as other financing sources (uses) in the Statement of Revenues, Expenditures, and Changes in Fund Balances. These other financing sources (uses) are recognized at the time the underlying events occur.

Proprietary Fund Financial Statements – The financial statements of the proprietary fund are reported using the “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows.

The amounts reflected in the Proprietary Fund Financial Statements use the accrual basis of accounting. All assets and liabilities (whether current or non-current) associated with their activities are reported.

E. Budgets

The Policy Jury uses the following budget practices:

Budgets for most governmental funds are adopted annually on the modified accrual basis of accounting. Budgets for some capital project funds are adopted on a project-length basis. Because the budgets adopted on a project-length basis primarily serve as a management control function, no comparison between budgeted and actual amounts for major funds (if any) budgeted on this basis is provided in these financial statements.

Preliminary budgets for the ensuing year are prepared by the treasurer during October of each year. During the month of November, the finance committee reviews the proposed budgets and makes changes as it deems appropriate. The availability of the proposed budgets for public inspection and the date of the public hearing on the budgets are then advertised in the official journal. Usually during its regular December meeting, the Police Jury holds a public hearing on the proposed budgets in order to receive comments from the public and other interested parties. Changes are made to the proposed budgets based on the public hearing and the desires of the Police Jury as a whole. The budgets are usually adopted during the regular December meeting and notice is published in the official journal.

The treasurer presents necessary budget amendments to the Police Jury during the year when, in his judgment, actual operations differ materially from those anticipated in the original budgets. During a regular or special meeting, the Police Jury reviews the proposed amendments, makes changes as it feels necessary, and formally adopts the amendments. The adoption of the amendments is included in the Police Jury minutes published in the official journal.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Notes to Financial Statements
December 31, 2004**

1. Summary of Significant Accounting Policies (continued)

E. Budgets (continued)

Budget comparison statements included in the accompanying financial statements include the original adopted budgets. There were no amendments during the year ended December 31, 2004.

The police jury exercises budgetary control at the functional level. Within functional levels, the treasurer has the authority to make amendments as necessary. Unexpended appropriations lapse at year-end and must be reappropriated in the next year's budget to be expended. The Police Jury does not utilize encumbrance accounting in its budget practices.

F. Cash and Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, amounts in demand deposits, interest bearing demand deposits, time deposits (certificates of deposit), and short-term, highly liquid investments with original maturities of ninety (90) days or less when purchased. Under state law, the Police Jury may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The Police Jury may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, local Louisiana governments are authorized to invest in the Louisiana Asset Management Pool (LAMP). A nonprofit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool.

Investments are stated at cost, which approximates market value. The Police Jury's investments comply with Louisiana Statutes (LSA R.S. 33:2955). At year-end, the Police Jury's deposits with LAMP were classified as investments.

G. Receivables

In the government-wide financial statement, receivables consist of all revenues earned at year-end and not yet received. Major receivables for the governmental activities include franchise taxes, sales and use taxes, and video poker revenues. Business-type activities report customer's sewer service charges as its major receivables. The Police Jury uses the allowance method to account for bad debts for ad valorem taxes, sanitation (tipping) fees and sewer service charges. Under this method, an estimate is made of the expected bad debts included in the year-end receivables. The provision for bad debts is recorded as a current expenditure with a corresponding increase to the allowance for doubtful accounts. Accounts receivable are reported in the financial statements net of the allowance account. Subsequent charge-offs or recoveries of specific accounts respectively decrease or increase the allowance account.

H. Interfund Transactions

Resources belonging to particular funds are commonly shared with other funds that need access to additional resources. When resources are provided without the expectation of repayment, the transaction is reported as a transfer and is treated as a source of income by the recipient and as an expenditure or expense by the provider. If repayment is expected, these receivables and payables are classified as "Due from other funds" or "Due to other funds".

Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Notes to Financial Statements
December 31, 2004**

1. Summary of Significant Accounting Policies (continued)

H. Interfund Transactions (continued)

In preparing the government-wide financial statements, transfers are eliminated to present net transfers for governmental activities and business-type activities. In addition, interfund receivables and payables are *eliminated to present a net balance for each type of activity.*

I. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2004 are recorded as prepaid expenses.

J. Capital Assets

Capital assets which include property, plant, equipment, works of art and historical treasures, and infrastructure assets (consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets, *other than land, are depreciated using the straight-line method over their estimated useful lives, ranging from 3 to 50 years depending upon the expected durability of the particular asset.* Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of net assets.

All purchased and constructed capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The Police Jury has adopted a capitalization threshold of \$100,000 on infrastructure capital assets and \$5,000 on other capital assets for reporting purposes. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives or improve their efficiency or capacity are not capitalized.

Assets reported in the fund financial statements for governmental funds exclude capital assets. The governmental funds financial statements report the acquisition of capital assets as expenditures.

K. Deferred Revenues

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the Police Jury receives resources before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria have been met or the Police Jury has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

L. Compensated Absences

Vested or accumulated vacation leave or compensatory time earned that is expected to be liquidated with expendable available financial resources are reported as expenditures and a fund liability of the governmental fund that will pay it. Amounts of compensated absences not expected to be liquidated with expendable available financial resources are not reported in the fund financial statements. No accrued current expenditures are reported in the governmental funds, as the amounts are considered immaterial.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Notes to Financial Statements
December 31, 2004**

1. Summary of Significant Accounting Policies (continued)

L. Compensated Absences (continued)

The full liability and related costs are reported in the Government-Wide Financial Statements. The non-current portion represents a reconciling item between the fund and government-wide statements.

Employees of the Police Jury earn from 5 to 20 days of vacation leave each year, depending on length of service. Employees may carry forward accumulated earned annual leave not taken. Upon separation from service, the accumulated vacation leave, up to the date of separation, is paid.

Employees of the Police Jury accrue sick leave benefits which are calculated on the basis of a "benefit year" at the rate of 1/2 and 1 day per month for part-time and full-time respectively. Unused sick leave is allowed to accumulate without limit. Unused sick leave benefits will not be paid to employees while they are employed or upon termination of employment.

M. Sales Taxes

DeSoto Parish has a 1% sales and use tax approved by the voters on May 16, 1981, for an indefinite period of time. The tax, after all necessary costs for collection and administration, is dedicated to constructing, acquiring, extending, improving, and maintaining the parish library (25 percent), parish roads (50 percent), parish jail facilities (10 percent), and solid waste collection and disposal facilities (15 percent).

N. Hotel-Motel Tax

The DeSoto Parish Police Jury, by Ordinance No. 2 dated June 13, 1984, levied a 2 percent tax upon the occupancy of hotel and motel rooms and overnight camping facilities within the parish. The tax, after collection costs not to exceed 6 percent, is restricted for purposes of attracting conventions and tourists to the parish.

O. Inventories

Inventories in the governmental funds consist of aviation fuel which is valued at cost on an average cost basis.

P. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

Q. Long-Term Obligations

The accounting treatment of long-term debt depends upon whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Notes to Financial Statements
December 31, 2004**

1. Summary of Significant Accounting Policies (continued)

Q. Long-Term Obligations (continued)

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide financial statements. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of related debt. Interest expense on long-term debt is recognized in the government-wide financial statements as the interest accrues, regardless of when it is due.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

The Police Jury's long-term debt consists of general obligation bonds payable, capital leases, customers' sewer deposits, and vested vacation leave that are not expected to be liquidated with expendable available resources.

R. Fund Equity

In the government-wide financial statements equity (the difference between assets and liabilities) is classified as net assets and is reported in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – Consists of all other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

In the event that the Police Jury, for the same function or purpose, receives restricted and unrestricted monies, the policy is to first apply restricted resources when and expenditure is incurred.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Notes to Financial Statements
December 31, 2004**

1. Summary of Significant Accounting Policies (continued)

R. Fund Equity (continued)

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved (portions of fund equity not available for appropriation or are legally restricted by outside parties for use for a specific purpose) or unreserved, with unreserved segregated between designated (portions of fund balance which represents management's plans which are subject to change) and undesignated. Proprietary fund equity is classified the same as in the government-wide financial statements.

S. Risk Management

The Police Jury is exposed to various risks of loss related to torts; theft of; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Police Jury carries commercial insurance for the risk of loss including automobile liability, general liability, property damage, workers compensation, errors and omissions, and surety bonds. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

2. Levied Taxes

The following is a summary of authorized and levied ad valorem taxes for the primary government for the year ended December 31, 2004:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
Parishwide taxes:			
General Fund	4.00	3.74	Indefinite
Road Maintenance	5.00	5.00	2013
E-911	1.00	1.02	2008
Landfill	5.05	5.11	2005
Courthouse Maintenance	Variable	1.02	2017
Courthouse Building	1.00	2.50	2007

The differences between authorized and levied millages are the result of the reassessment of taxable property required by Article 7, Section 23 of the Louisiana Constitution of 1974. Property tax millages must be adjusted after each property tax reassessment so that tax collections do not increase or decrease due to reassessment.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Notes to Financial Statements
December 31, 2004**

2. Levied Taxes (continued)

The following are the principal taxpayers for the parish and their 2004 assessed valuation (amounts expressed in thousands):

	2004 Assessed Valuation	Percent of Total Assessed Valuation
International Paper Co	\$ 34,323	20.00%
Central LA Electric Co	30,780	17.94%
Southwester Electric Power	27,708	16.15%
El Paso Production Company	4,531	2.64%
Dolet Hills Mining Venture	4,032	2.35%
J W Operating Co	2,752	1.60%
Northeast Texas Electric	2,751	1.60%
Bellsouth Telecommunications	2,504	1.46%
Winchester Production Co	2,250	1.31%
BP America Production Co	1,919	1.12%
Total	<u>\$ 113,550</u>	<u>66.17%</u>

3. Cash and Cash Equivalents

At December 31, 2004, the Police Jury has cash and cash equivalents (book balances) totaling \$1,614,985 as follows:

Demand deposits	\$ 564,984
Time deposits	<u>1,050,001</u>
Total	<u>\$ 1,614,985</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Cash and cash equivalents (bank balances) at December 31, 2004, are secured as follows:

Bank Balances	<u>\$ 2,041,163</u>
Federal deposit insurance	\$ 200,000
Pledged securities (uncollateralized)	<u>1,841,163</u>
Total	<u>\$ 2,041,163</u>

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Notes to Financial Statements
December 31, 2004**

3. Cash and Cash Equivalents (continued)

Because the pledged securities are held by a custodial bank in the name of the fiscal agent bank rather than in the name of the Police Jury, they are considered uncollateralized (Category 3) under the provisions of GASB Statement 3; however, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Police Jury that the fiscal agent bank has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the Police Jury's name.

4. Investments

Investments held at December 31, 2004 consist of \$1,889,195, in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB codification section 150.126, the investment in LAMP at December 31, 2004 is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

The Louisiana Asset Management Pool (LAMP) is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S. 33:2955(A)(1)(h) which allows municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "Investment grade (A-1/P-1) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based upon quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Notes to Financial Statements
December 31, 2004**

5. Receivables

The following is a summary of receivables at December 31, 2004:

	Governmental Activities				Business-Type Activities	
	General Fund	Road Fund	Solid Waste Fund	Other Governmental Funds	Enterprise Fund Eastside Sewer	Total
Ad valorem	\$ 1,185,847	\$ 816,284	\$ 834,648	\$ 166,615	\$ -	\$ 3,003,394
Sales and use taxes	-	-	-	297,652	-	297,652
Federal Grants	48,465	-	-	26,643	-	75,108
State Grants:						
Parish transportation fund	-	61,599	-	-	-	61,599
Video poker	14,698	-	-	-	-	14,698
Other state grants	86,347	67,219	-	20,335	-	173,901
Fees, charges, and commissions	19,700	-	222,820	10,481	10,018	263,019
Fines and forfeitures	-	-	-	50,508	-	50,508
Other	4,000	14,012	-	1,953	-	19,965
	<u>1,359,057</u>	<u>959,114</u>	<u>1,057,468</u>	<u>574,187</u>	<u>10,018</u>	<u>3,959,844</u>
Allowance	<u>(14,004)</u>	<u>(9,211)</u>	<u>(152,830)</u>	<u>-</u>	<u>(8,626)</u>	<u>(184,671)</u>
Total receivables	<u>\$ 1,345,053</u>	<u>\$ 949,903</u>	<u>\$ 904,638</u>	<u>\$ 574,187</u>	<u>\$ 1,392</u>	<u>\$ 3,775,173</u>

6. Interfund Assets, Interfund Liabilities, and Operating Transfers

In the ordinary course of business, the Police Jury routinely transfers resources between its funds. Transfers are used to (1) move revenues from the fund required by statute or budget to collect them to the fund required by statute or budget to expend them, and (2) use unrestricted revenues collected in the General fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 33,623
Road Fund	General Fund	125,000
Solid Waste fund	General Fund	250,000
Eastside Sewer	General Fund	30,000
Other governmental Funds	General Fund	<u>507,275</u>
		<u>\$ 945,898</u>

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Notes to Financial Statements
December 31, 2004**

6. Interfund Assets, Interfund Liabilities, and Operating Transfers (continued)

Interfund balances, on the fund financial statements at December 31, 2004 consisted of the following:

Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Road Fund	\$ 708
General Fund	Solid Waste Fund	669
General Fund	Other Governmental Funds	229,372
		<u>230,749</u>
Road Fund	General Fund	141
Road Fund	Solid Waste Fund	987
Road Fund	Other Governmental Funds	148,064
		<u>149,192</u>
Solid Waste Fund	Road Fund	2,860
Solid Waste Fund	Other Governmental Funds	44,419
		<u>47,279</u>
Other Governmental Funds	Other Governmental Funds	37,536
		<u>\$ 464,756</u>

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Notes to Financial Statements
December 31, 2004**

7. Capital Assets

Capital asset activity for the year ended December 31, 2004, was as follows:

	Balance January 1 2004	Additions	Deletions	Balance December 31 2004
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,757,061	\$ 22,500	\$ -	\$ 1,779,561
Construction in progress	-	241,080	-	241,080
Total assets not being depreciated	<u>1,757,061</u>	<u>263,580</u>	<u>-</u>	<u>2,020,641</u>
Capital assets being depreciated:				
Buildings and improvements	17,960,905	349,757	-	18,310,662
Furniture and equipment	4,050,252	444,810	-	4,495,062
Infrastructure	166,879,913	-	-	166,879,913
Total assets being depreciated	<u>188,891,070</u>	<u>794,567</u>	<u>-</u>	<u>189,685,637</u>
Less accumulated depreciation for:				
Buildings and improvements	6,778,233	383,319	-	7,161,552
Furniture and equipment	2,744,141	325,088	-	3,069,229
Infrastructure	156,893,307	5,568,691	-	162,461,998
Total accumulated depreciation	<u>166,415,681</u>	<u>6,277,098</u>	<u>-</u>	<u>172,692,779</u>
Total capital assets - net	<u>\$ 24,232,450</u>	<u>\$(5,218,951)</u>	<u>\$ -</u>	<u>\$ 19,013,499</u>

Depreciation expense of \$6,277,098 for the year ended December 31, 2004, was charged to the following governmental functions:

General government:	
Legislative	\$ 86,099
Judicial	9,846
Elections	3,214
Finance and administrative	33,630
Other	10,366
Public safety	123,709
Public works	5,794,880
Sanitation	166,920
Cultural and recreation	36,991
Health and welfare	2,500
Community development	2,460
Transportation	6,483
Total	<u>\$ 6,277,098</u>

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Notes to Financial Statements
December 31, 2004**

7. Capital Assets (continued)

	Balance January 1 2004	Additions	Deletions	Balance December 31 2004
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 10,175	\$ -	\$ -	\$ 10,175
Capital assets being depreciated:				
Buildings and improvements	505	-	-	505
Sewer system	373,375	-	-	373,375
Treatment plant	101,180	-	-	101,180
Total assets being depreciated	475,060	-	-	475,060
Less accumulated depreciation for:				
Buildings and improvements	505	-	-	505
Sewer system	261,366	18,669	-	280,035
Treatment plant	70,826	5,059	-	75,885
Total accumulated depreciation	332,697	23,728	-	356,425
Total capital assets - net	<u>\$ 152,538</u>	<u>\$ (23,728)</u>	<u>\$ -</u>	<u>\$ 128,810</u>

8. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at December 31, 2004, consisted of the following:

	Payable to Vendors	Payroll Liabilities	Total Payables
Governmental Activities:			
General Fund	\$ 64,755	\$ 111,918	\$ 176,673
Road Fund	36,307	50,489	86,796
Solid Waste Fund	35,991	19,316	55,307
Other Governmental funds	95,949	6,088	102,037
Total	<u>\$ 233,002</u>	<u>\$ 187,811</u>	<u>\$ 420,813</u>

9. Due to Other Governments

Effective July 1, 2004, the Police Jury transferred the responsibility for the accounting and administration of the DeSoto Parish Library to the DeSoto Parish Library Board of Control. On that date, responsibility for the assets and liabilities of the DeSoto Parish Library was assumed by the DeSoto Parish Library Board of Control. Certain cash balances were transferred by the Police Jury to the General Fund in order to ensure that sufficient funds were available to clear outstanding obligations incurred by the Police Jury for the DeSoto Parish Library. Funds held by the General Fund for the benefit of the DeSoto Parish Library (\$113,888) are reported as "Due to Other Governments".

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Notes to Financial Statements
December 31, 2004**

10. Deferred Revenues

Deferred revenues in the governmental funds amounted to \$167,446 at December 31, 2004. This amount represents \$87,501 of ad valorem taxes assessed but not collected within the time period required to meet the "available" criteria for recognition in the current period and \$79,945 of federal grant monies received under the Section 8 Program prior to the occurrence of qualifying expenditures.

11. Pension Plan

Plan Description. Substantially all employees of the DeSoto Parish Police Jury are members of the Parochial Employees Retirement System of Louisiana (System), a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the police jury are members of Plan B.

All permanent employees working at least twenty eight (28) hours per week who are paid wholly or in part from parish funds and all elected parish officials are eligible to participate in the System. Under Plan B, employees who retire at or after age sixty two (62) with at least ten (10) years of creditable service, at or after age fifty five (55) with at least thirty (30) years of creditable service, are entitled to a retirement benefit, payable monthly for life, equal to two percent (2%) of their final-average monthly salary in excess of \$100 for each year of creditable service. Furthermore, employees with at least ten (10) years of creditable service, but less than thirty (30) years, may take early retirement benefits commencing at or after age sixty (60), with the basic benefit reduced three percent (3%) for each year retirement precedes age sixty two (62), unless he has thirty (30) years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed one hundred percent (100%) of final average salary. Final-average salary is the employee's average salary over the thirty six (36) consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefits accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619, or by calling (225) 928-1361.

Funding Policy. Under Plan B, members are required by state statute to contribute two percent (2%) of their annual covered salary in excess of \$1,200 and the DeSoto Parish Police jury is required to contribute at an actuarially determined rate. The current rate is three percent (3.00%) of annual covered payroll. Contributions to the system include one-fourth of one percent (one percent for Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active member of each plan. The contribution requirements of plan members and the DeSoto Parish Police Jury are established and may be amended by the state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The DeSoto Parish Police Jury's contributions to the System under Plan B for the years ending December 31, 2004, 2003, 2002, and 2001 were \$127,632, \$92,929, \$64,761, and \$60,645, respectively, equal to the required contributions for each year.

12. Postemployment Benefits

The Police Jury provides certain continuing health care benefits for its retired employees. Substantially all of the Police Jury's employees become eligible for these benefits if they reach normal retirement age while working for the Police Jury. These benefits for retirees and similar benefits for active employees are provided through an insurance

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Notes to Financial Statements
December 31, 2004**

company whose monthly premiums are paid jointly by the employee and the Police Jury. The Police Jury recognizes the cost of providing these benefits as expenditure when paid during the year. The premiums paid to the insurance company for group hospitalization coverage in 2004 were \$679,520. The Police Jury's cost of providing retiree health care benefits (Police Jury's portion of the premiums) totaled \$27,502. At December 31, 2004, there were ten retirees receiving these benefits.

13. Compensated Absences, Capitalized Leases, and Other Long-Term Debt

The following is a summary of the long-term debt obligation transactions for the year ended December 31, 2004:

	General Obligation Bonds	Capital Leases	Compensated Absences	Total
Beginning Balances	\$ 4,085,000	\$ 1,396,406	\$ 196,037	\$ 5,677,443
Additions	-	-	98,164	\$ 98,164
Deductions	(190,000)	(326,613)	(38,850)	\$ (555,463)
Ending Balances	<u>\$ 3,895,000</u>	<u>\$ 1,069,793</u>	<u>\$ 255,351</u>	<u>\$ 5,220,144</u>
Due Within One Year	<u>\$ 200,000</u>	<u>\$ 331,782</u>	<u>\$ -</u>	<u>\$ 531,782</u>

General Obligation Liabilities

General obligation liabilities are direct obligations and pledges of the full faith and credit of the Police Jury. These obligations include general obligation bonds, capitalized leases, and compensated absences.

Compensated Absences

Compensated absences represent accumulated and vested employee leave benefits computed in accordance with the accounting principles generally accepted in the United States of America. The liability for compensated absences is computed only at the end of the fiscal year. Compensated absences are paid by the fund that pays the related salaries.

General Obligation Bonds

Bonded debt at December 31, 2004 is comprised of the following issue:

General Obligation Bond - \$4,700,000 issue of March 1, 1998 for the purpose of improving, renovating and restoring the DeSoto Parish courthouse and courthouse annex. The principle is due in annual installments of \$135,000 to \$380,000 through March 1, 2018 with interest at 4.2% to 8.0% per annum. Debt retirement payments are made from the General Fund.

\$3,895,000

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Notes to Financial Statements
December 31, 2004**

13. Compensated Absences, Capitalized Leases, and Other Long-Term Debt (continued)

The annual requirements to amortize the general obligation bonds at December 31, 2004, are as follows:

<u>Year Ending December 31,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>
2005	\$ 200,000	\$ 166,403
2006	210,000	153,253
2007	220,000	143,383
2008	230,000	133,875
2009	240,000	123,888
2010-2018	2,795,000	575,344
Total	<u>\$ 3,895,000</u>	<u>\$ 1,296,146</u>

In accordance with Louisiana Revised Statute 39:562, the Police Jury is legally restricted from incurring long-term bonded debt in excess of 10% of the assessed value of taxable property in the parish. At December 31, 2004, the statutory limit was \$17,160,201.

Capital Leases

The Police Jury has incurred various lease obligations for the acquisition of equipment for the Road Fund and the Solid Waste Fund. The related fund provides debt service for the capital leases. Equipment acquired by capital leases is included in capital assets. The related capital lease obligations are included in long-term liabilities.

The following is a summary of future minimum lease payments, together with the present value of the net minimum lease payments, as of December 31, 2004:

<u>Year Ending December 31,</u>	
2005	\$ 374,040
2006	268,050
2007	171,988
2008	115,222
2009	204,246
2010-2014	27,000
2015-2019	4,950
Total minimum lease payments	<u>1,165,496</u>
Less amount representing interest	<u>95,703</u>
Present value of net minimum lease payments	<u>\$ 1,069,793</u>

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Notes to Financial Statements
December 31, 2004**

14. Revenue Bonds

The following is a summary of long-term revenue bond transactions entered into by the DeSoto Parish Police Jury and outstanding at December 31, 2004. The Police Jury does not guarantee these revenue bonds and they are not reported in the primary unit financial statements.

Pollution control revenue refunding bonds totaling \$50,110,000 were issued May 1, 1991. Under an agreement entered into between the DeSoto Parish Police Jury and Central Louisiana Electric Company, Incorporated, the bonds do not bear the full faith and credit of the Police Jury. The retirement of the bonds, including interest charges, paying agent fees, and any other costs associated with servicing the debt, are the sole responsibility of Central Louisiana Electric Company, Incorporated.

Pollution control revenue refunding bonds totaling \$53,500,000 were issued July 1, 1991. Under an agreement entered into between the DeSoto Parish Police Jury and Southwestern Electric Power Company, the bonds do not bear the full faith and credit of the Police Jury. The retirement of the bonds including interest charges, paying agent fees, and any other costs associated with servicing the debt, are the sole responsibility of Southwestern Electric Power Company.

Pollution control revenue bonds totaling \$27,735,000 were issued August 19, 1993. Under an agreement entered into between the DeSoto Parish Police Jury and International Paper Company, Incorporated, the bonds do not bear the full faith and credit of the police jury. The retirement of the bonds, including interest charges, paying agent fees, and any other costs associated with servicing the debt, are the sole responsibility of International Paper Company, Incorporated.

Pollution control revenue refunding bonds totaling \$25,000,000 were issued November 17, 1994. Under an agreement entered into between the DeSoto Parish Police Jury and International Paper Company, the bonds do not bear the full faith and credit of the Police Jury. The retirement of the bonds, including interest charges, paying agent fees, and any other costs associated with servicing the debt, are the sole responsibility of International Paper Company.

Pollution control revenue refunding bonds totaling \$19,500,000 were issued April 26, 1995. Under an agreement entered into between the DeSoto Parish Police Jury and International Paper Company, the bonds do not bear the full faith and credit of the Police Jury. The retirement of the bonds, including interest charges, paying agent fees, and any other costs associated with servicing the debt, are the sole responsibility of International Paper Company.

Pollution control revenue refunding bonds totaling \$2,000,000 were issued December 1, 1997. Under an agreement entered into between the DeSoto Parish Police Jury and International Paper Company, the bonds do not bear the full faith and credit of the Police Jury. The retirement of the bonds, including interest charges, paying agent fees, and any other costs associated with servicing the debt, are the sole responsibility of International Paper Company.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Notes to Financial Statements
December 31, 2004**

15. Workforce Investment Act Program

The DeSoto Parish Police Jury participates in the Workforce Investment Act Program funded through the Louisiana Department of Labor by the United States Department of Labor. The Police Jury is a member of the Seventh Planning District which is comprised of ten (10) parishes. On August 16, 1983, the members of the Seventh Planning District, consisting of the Parishes of Bienville, Bossier, Caddo, Claiborne, DeSoto, Lincoln, Natchitoches, Red River, Sabine, and Webster and the Seventh Planning District Service Delivery Area (SDA) Private Industry Council, entered into an agreement. This agreement designated the president of the DeSoto Parish Police Jury as the chief elected official of the SDA and the DeSoto Parish Police Jury as the WIA grant recipient. This agreement names the Coordinating and Development Corporation (CDC) as the administrative entity.

The SDA is comprised of three elements:

1. Private Industry Council (PIC) -- Consists of 15 members representing a cross-section of the SDA population. The PIC is responsible for providing guidance for program development and for monitoring the operations of the administrative entity.
2. Designated Chief Elected Official -- This is a police jury president elected by his peers from the Seventh Planning District. His responsibilities are the same as the PIC.
3. Administrative Entity -- The organization selected by the PIC to administer the Coordinating and Development Corporation (CDC) program. All action by the administrative entity must be approved by the PIC and the designated chief elected official.

In August 1983, the designated chief elected official notified the Assistant Secretary of Labor, State of Louisiana, that the Coordinating and Development Corporation (CDC) was designated as the administrative entity for the SDA and that all funds and copies of correspondence should be sent to the CDC. This notification also stated that all bookkeeping and program documents would be maintained by the CDC. Further, in September 1983, the DeSoto Parish Police Jury appointed the Executive Vice President of the CDC as the contracting officer for the WIA program to act on behalf of the Police Jury. Since that date, the contracting officer has signed all documents on behalf of the grant recipient.

The DeSoto Parish Police Jury is the designated grant recipient and (1) has accepted full responsibility for funds expended under the grant, (2) has assured the Louisiana Department of Labor that all funds provided will be expended according to limitations set forth in the Workforce Investment Act, federal and state regulations, and the approved job training plan, and (3) that it will reimburse the Louisiana Department of Labor for any questioned costs which are ultimately disallowed by the United States Department of Labor.

Funds are provided by the Louisiana Department of Labor through a letter of credit arrangement into a bank account in the name of the CDC which operates the day-to-day activities of the program. This arrangement was authorized in September 1983, by the designated chief elected official.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Notes to Financial Statements
December 31, 2004**

16. Criminal Court Fund

R.S. 15:571.11 requires that one-half of any balance remaining in the Criminal Court Fund at year-end be transferred to the Police Jury's General Fund. The following details the amount due at December 31, 2004:

Balance due at January 1, 2004	\$ 15,031
Amount due for current year	<u>33,623</u>
	48,654
Remitted during 2004	<u>-</u>
Balance due at December 31, 2004	<u><u>\$ 48,654</u></u>

17. Deficit Fund Balance

The Community Services Fund reported a deficit fund balance of \$41,122 as of December 21, 2004. The deficit is expected to be funded by subsequent revenues or transfers from the General Fund.

18. Commitments and Contingencies

Grant Audit

The Police Jury receives grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could result in a request for reimbursement for disallowed costs under the terms of the agreements. In the opinion of management, such disallowance, if any, would be insignificant.

Lawsuits

At December 31, 2004 the Police Jury is involved in numerous lawsuits. Except as discussed below, the District Attorney, as legal counsel for the Police Jury, has opined that the likelihood that the Police Jury will prevail in these lawsuits is good. Any potential liability accruing to the Police Jury as a result of these lawsuits is expected to be immaterial and no provision has been made in the financial statements.

The Federal Department of Labor has alleged that the Police Jury owes individuals properly classified as employees, but previously treated as "contract laborers", amounts for wages and overtime. In July, 2005, the Police Jury agreed to a settlement of this matter for \$40,240. A provision for the liability arising from this settlement is included in the Government-Wide Financial Statements.

Construction Commitments

As of December 31, 2004, the Police jury has an active construction project to renovate and improve the runways at the DeSoto Parish Airport. The project is expected to have a total cost of \$584,304. To date, \$241,080 has been expended leaving a remaining commitment of \$343,224. The project is expected to be completely funded by federal and state grants.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Notes to Financial Statements
December 31, 2004**

19. Subsequent Event

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, requires governments to report postemployment benefits including healthcare costs and insurance premiums. This pronouncement could have a material impact on the Government-Wide Financial Statements. The Statement is effective for periods beginning after December 15, 2007 for Phase 2 governments (those with revenues between ten million and one hundred million).

In February, 2005, the Police Jury authorized the issuance of Certificates of Indebtedness, Series 2005, in the amount of \$198,000. The proceeds of this issue are to be used for the purchase of road equipment.

20. Period Adjustments

The prior period adjustments in the Fund Financial Statements decrease fund balance by \$59,690 as follows:

	<u>Road Fund</u>	<u>Other Governmental Funds</u>
Fund balances - beginning	\$ 1,071,601	\$ 1,024,908
<i>Prior-period adjustments:</i>		
To record state revenue sharing in the proper period	(20,629)	
To correct amount due to from other governments		(39,714)
To correct 2003 ad valorem taxes receivable		(5,993)
To record aviation fuel inventory		6,646
Fund balances- beginning - (restated)	<u>\$ 1,050,972</u>	<u>\$ 985,847</u>

21. Related Party Transactions:

Procedures, observations, and inquiries did not disclose any material related party transactions for the fiscal year ended December 31, 2004.

Required Supplementary Information – Part II

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Budgetary Comparison Schedule
General Fund
Year Ended December 31, 2004**

	Budget Amounts Original	Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES			
Taxes:			
Ad valorem taxes	\$ 1,438,762	\$ 1,199,784	\$ (238,978)
Severance tax	630,000	622,263	(7,737)
Licenses and permits	92,333	138,445	46,112
Intergovernmental revenues:			
Federal grants	-	318,934	318,934
State funds:			
Grants	-	43,325	43,325
State revenue sharing (net)	22,659	22,125	(534)
Video poker	59,115	77,318	18,203
Other	-	196,487	196,487
Fees, charges and commissions for services	-	123,239	123,239
Investment earnings	62,300	58,068	(4,232)
Other revenues	70,350	118,841	48,491
Total revenues	<u>2,375,519</u>	<u>2,918,829</u>	<u>543,310</u>
EXPENDITURES			
General government:			
Legislative	257,169	263,484	(6,315)
Judicial	512,730	453,857	58,873
Elections	66,725	28,837	37,888
Finance and administrative	373,599	938,172	(564,573)
Other	829,327	342,464	486,863
Public safety	327,275	72,786	254,489
Culture and recreation	15,700	17,894	(2,194)
Health and welfare	19,768	14,203	5,565
Economic development	30,646	95,895	(65,249)
Capital outlay	-	101,188	(101,188)
Debt service:			
Principal retirement	-	190,001	(190,001)
Interest and other charges	-	181,903	(181,903)
Total expenditures	<u>2,432,939</u>	<u>2,700,684</u>	<u>(267,745)</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>(57,420)</u>	<u>218,145</u>	<u>275,565</u>

(Continued)

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Budgetary Comparison Schedule
General Fund
Year Ended December 31, 2004**

	Budget Amounts Original	Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	\$ 222,185	\$ 33,623	\$ (188,562)
Operating transfers out	(164,765)	(912,275)	(747,510)
Sale of capital assets	-	900	900
Total Other Financing Sources and Uses	<u>57,420</u>	<u>(877,752)</u>	<u>(935,172)</u>
Net Change in Fund Balance	-	(659,607)	<u>\$ (659,607)</u>
Fund Balance -beginning	<u>4,985,534</u>	<u>4,985,534</u>	
Fund Balance - ending	<u>\$ 4,985,534</u>	<u>\$ 4,325,927</u>	

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Budgetary Comparison Schedule
Road Fund
Year Ended December 31, 2004**

	Budget Amounts Original	Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES			
Ad valorem taxes	\$ 866,797	\$ 824,573	\$ (42,224)
Sales and use taxes	1,390,750	1,751,356	360,606
Severance tax	630,000	622,263	(7,737)
Intergovernmental revenues:			
State funds:			
Parish transportation funds	256,847	272,141	15,294
State revenue sharing (net)	30,943	30,488	(455)
Fees, charges, and commissions for services	-	154,770	154,770
Investment earnings	4,000	2,340	(1,660)
Other revenues	-	408	408
Total revenues	<u>3,179,337</u>	<u>3,658,339</u>	<u>479,002</u>
EXPENDITURES			
Public works:			
Salaries	1,110,000	1,251,576	(141,576)
Contract Labor	3,600	1,800	1,800
Utilities	14,500	12,811	1,689
Telephone	9,500	8,929	571
Wrecker and equipment rental	140,000	1,440	138,560
Insurance	180,000	118,215	61,785
Building and grounds	13,000	499	12,501
Gas and oil	142,000	219,918	(77,918)
Supplies	15,000	27,027	(12,027)
Social security and medicare	84,915	93,521	(8,606)
Group insurance	356,800	364,963	(8,163)
Retirement	72,207	96,568	(24,361)
Road materials	801,615	1,174,120	(372,505)
Equipment parts and repairs	175,000	195,011	(20,011)
Other charges (signs, right of ways, etc.)	45,000	45,253	(253)
Capital outlay	66,200	102,977	(36,777)
Debt service:			
Principle retirement	-	124,327	(124,327)
Interest and other charges	-	13,786	(13,786)
Total expenditures	<u>3,229,337</u>	<u>3,852,741</u>	<u>(623,404)</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>(50,000)</u>	<u>(194,402)</u>	<u>(144,402)</u>

(Continued)

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Budgetary Comparison Schedule
Road Fund
Year Ended December 31, 2004**

	Budget Amounts Original	Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 125,000	\$ 125,000
Sale of capital assets	-	6,731	6,731
Total Other Financing Sources and Uses	-	131,731	131,731
Net Change in fund Balance	(50,000)	(62,671)	\$ (12,671)
Fund balance - beginning	1,050,972	1,050,972	
Fund balance - ending	<u>\$ 1,000,972</u>	<u>\$ 988,301</u>	

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Budgetary Comparison Schedule
Solid Waste Fund
Year Ended December 31, 2004**

	Budget Amounts Original	Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES			
Ad valorem taxes	\$ 866,797	\$ 843,565	\$ (23,232)
Sales and use taxes	417,225	525,407	108,182
Other	-	207	207
Fees, charges, and commissions	630,000	420,118	(209,882)
Investment earnings	4,500	1,218	(3,282)
Total revenues	<u>1,918,522</u>	<u>1,790,515</u>	<u>(128,007)</u>
EXPENDITURES			
Sanitation:			
Salaries	485,512	547,250	(61,738)
Contract.	118,806	126,446	(7,640)
Official fees	10,000	5,184	4,816
Professional fees	140,000	109,602	30,398
Advertising/dues/subscriptions	500	18	482
Utilities	10,000	8,481	1,519
Telephone	6,000	5,381	619
Equipment rental	273,168	25,569	247,599
Rental-land/buildings	5,000	3,750	1,250
General insurance	85,000	66,646	18,354
Maintenance of building and grounds	155,000	132,558	22,442
Medical (physicals)	500	1,284	(784)
Gas and oil	75,000	122,582	(47,582)
Office expense	5,620	4,666	954
Food, clothing and supplies	6,500	7,357	(857)
Travel and conventions	7,500	6,627	873
Social security	37,142	41,028	(3,886)
Retirement	30,919	68,290	(37,371)
Group insurance	108,400	99,555	8,845
Equipment repairs	75,000	92,027	(17,027)
Signs/sign materials	1,500	37	1,463
Post closure/land acquisition	15,460	-	15,460
Capital Outlay	94,000	273,898	(179,898)
Debt service:			
Principle retirement	-	202,286	(202,286)
Interest and other charges	-	40,202	(40,202)
Total Expenditures	<u>1,746,527</u>	<u>1,990,724</u>	<u>(244,197)</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	<u>171,995</u>	<u>(200,209)</u>	<u>(372,204)</u>

(Continued)

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Budgetary Comparison Schedule
Solid Waste Fund
Year Ended December 31, 2004**

	Budget Amounts Original	Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	\$ -	\$ 250,000	\$ 250,000
Operating transfers out	(196,995)	-	196,995
Sale of Capital Assets	-	1,959	1,959
Total Other Financing Sources and Uses	<u>(196,995)</u>	<u>251,959</u>	<u>448,954</u>
Net Change in Fund Balance	(25,000)	51,750	<u>\$ 76,750</u>
Fund balance - beginning	818,702	818,702	
Fund balance - ending	<u>\$ 793,702</u>	<u>\$ 870,452</u>	

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Notes to Required Supplementary Information
December 31, 2004**

Budgetary Information

The budgets are prepared in accordance with accounting principles generally accepted in the United States of America. Budgets for most governmental funds are adopted annually on the modified accrual basis of accounting. Budgets for some capital project funds are adopted on a project-length basis. Because the budgets adopted on a project-length basis primarily serve as a management control function, no comparison between budgeted and actual amounts for major funds (if any) budgeted on this basis is provided in these financial statements.

The Louisiana Local Government Budget Act provides that "the total of proposed expenditures shall not exceed the total of estimated funds available for the ensuing year". The "total estimated funds available" is the sum of the respective estimated fund balances at the beginning of the year and the anticipated revenues for the current year.

Preliminary budgets for the ensuing year are prepared by the treasurer during October of each year. During the month of November, the finance committee reviews the proposed budgets and makes changes as it deems appropriate. The availability of the proposed budgets for public inspection and the date of the public hearing on the budgets are then advertised in the official journal. Usually during its regular December meeting, the Police Jury holds a public hearing on the proposed budgets in order to receive comments from the public and other interested parties. Changes are made to the proposed budgets based on the public hearing and the desires of the Police Jury as a whole. The budgets are usually adopted during the regular December meeting and notice is published in the official journal.

Louisiana Revised Statute (LSA-R.S.) 39:1311 requires the chief executive or administrative officer of the Police Jury to advise the Jury in writing when:

- (1) Total revenue and other sources plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more.
- (2) Total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more.
- (3) Actual beginning fund balance, within a fund, fails to meet estimated fund balance by five percent or more and fund balance is being used to fund current year expenditures.

The treasurer presents necessary budget amendments to the Police Jury during the year when, in his judgment, actual operations differ materially from those anticipated in the original budgets. During a regular or special meeting, the Police Jury reviews the proposed amendments, makes changes as it feels necessary, and formally adopts the amendments. The adoption of the amendments is included in the Police Jury minutes published in the official journal.

The Police Jury exercises budgetary control at the functional level. Within functional levels, the treasurer has the authority to make amendments as necessary.

Expenditures may not legally exceed appropriations at the fund level. Appropriations that are not expended lapse at year-end. The budgets were not amended for the year ended December 31, 2004.

Other Supplementary Information

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Other Governmental Funds
Year Ended December 31, 2004**

Library Fund

The Library Fund accounts for the purchase of library materials, books, magazines, records, and films and maintenance and operation of the library facilities. Financing is primarily provided by sales taxes.

Sales Tax Fund

The Sales Tax Fund accounts for the collection of the one percent sales and use tax and the parish hotel and motel tax. Expenditures of the fund are limited to expenses necessary and reasonable for the collection and administration of the sales tax program. After paying these necessary expenses, all remaining sales tax revenues are disbursed to the Road Fund, Library Fund, Jail Fund and Solid Waste Fund in accordance with the percentages established in the tax proposition. Hotel and motel tax revenues are disbursed to the DeSoto Parish Tourist Commission.

Jail Fund

The Jail Fund accounts for the construction, improvement, and maintenance of parish jail facilities. Financing is primarily provided by sales taxes.

Criminal Court Fund

The Eleventh Judicial District Criminal Court Fund is established under Section 571.11 of Title 15 of the Louisiana Revised Statutes of 1950, which provides that fines and forfeitures imposed by the district court and district attorney conviction fees in criminal cases be transferred to the parish treasurer and deposited into a special account, to be used for the expenses of the criminal court of the parish. Expenditures are made from the fund on motion of the district attorney and approval of the district judge. The statute also requires that one-half of the fund balance remaining in the Criminal Court Fund at December 31 of each year be transferred to the parish General Fund.

Airport Fund

The Airport Fund accounts for the operation and maintenance of a parish airport facility. Financing is provided by federal and state grants, fees, and interest earned on investments.

E911 District Fund

The E911 District Fund accounts for the establishment, maintenance, and operation of the 911 emergency telephone system for DeSoto Parish. Financing is provided by a 5 percent service charge on local telephone service within the parish.

Rental Assistance Fund

The Rental Assistance Fund provides for expanding opportunities for rental assistance to lower income families. Financing is provided by grants from the United States Department of Housing and Urban Development (Section 8).

(Continued)

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Other Governmental Funds
Year Ended December 31, 2004**

Community Action Fund

The Community Services Fund accounts for the distribution of surplus food commodities provided by the United States Department of Agriculture, in addition to cash grants in lieu of commodities. The objectives of the program are to improve the diets of the elderly and other individuals in need of food assistance and to increase the market for domestically produced foods acquired under surplus removal or price support operations.

The Community Services Fund also accounts for community service block grants provided by the United States Department of Health and Human Services. The major objective of the block grant program is to provide for services and activities having a measurable and potential impact on causes of poverty.

Assistance is provided in the areas of employment, education, better use of income, adequate housing and environment, and assistance for emergency needs.

LCDBG Fund

The LCDBG Fund is used to account for a Louisiana Community Development Block Grant obtained from the State of Louisiana Division of Administration for a new water well for South DeSoto Water System for the purpose of fire protection.

DeSoto Parish Police Jury
Mansfield, Louisiana

Combining Balance Sheet
Other Governmental Funds
December 31, 2004

	Special Revenue						Capital Projects			
	Library	Sales Tax	Jail	Criminal Court	Airport	E911 District	Rental Assistance	Community Services	LCDBG	Total
ASSETS										
Cash and cash equivalents	\$ -	\$ 1,148	\$ 4,537	\$ 55,677	\$ 4,854	\$ 218,501	\$ 77,912	\$ 40,671	\$ -	\$ 403,300
Investments	-	-	-	-	-	13,437	-	-	-	13,437
Receivables (net of allowance for uncollectibles)	-	297,652	1,953	50,508	26,643	177,096	-	20,335	-	574,187
Inventory	-	-	-	-	6,645	-	-	-	-	6,645
Due from other funds	-	1,853	29,613	-	400	3,637	2,033	-	-	37,536
Total Assets	\$ -	\$ 300,653	\$ 36,103	\$ 106,185	\$ 38,542	\$ 412,671	\$ 79,945	\$ 61,006	\$ -	\$ 1,035,105
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ -	\$ -	\$ 34,070	\$ 22,697	\$ 34,987	\$ 155	\$ -	\$ 10,128	\$ -	\$ 102,037
Due to other funds	-	300,653	185	49,866	-	8,209	-	92,000	-	450,913
Deferred revenues	-	-	-	-	-	4,853	79,945	-	-	84,798
Total Liabilities	-	300,653	34,255	72,563	34,987	13,217	79,945	102,128	-	637,748
Fund balances:										
Unreserved, undesignated	-	-	1,848	33,622	3,555	399,454	-	(41,122)	-	397,357
Total Liabilities and Fund Balances	\$ -	\$ 300,653	\$ 36,103	\$ 106,185	\$ 38,542	\$ 412,671	\$ 79,945	\$ 61,006	\$ -	\$ 1,035,105

Supplementary Information
Presented for purposes of additional analysis only.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Other Governmental Funds
Year Ended December 31, 2004**

	Special Revenue			
	Library	Sales Tax	Jail	Criminal Court
REVENUES				
Taxes:				
Ad valorem	\$ -	\$ -	\$ -	\$ -
Sales and use	415,864	126,431	350,271	-
Licenses and permits	-	-	-	-
Intergovernmental revenues:				
Federal grants	-	-	-	-
State funds:				
Grants	-	-	-	-
State revenue sharing (net)	14,204	-	-	-
Fees, charges, and commissions for services	-	1,551	27,906	-
Fines and forfeitures	-	-	-	396,822
Investment earnings	1,906	1,591	-	1,249
Other revenues	7,225	-	-	18,664
Total Revenues	<u>439,199</u>	<u>129,573</u>	<u>378,177</u>	<u>416,735</u>
EXPENDITURES				
Current:				
General government:	-	129,573	-	-
Judicial	-	-	-	363,730
Public safety	-	-	561,120	-
Cultural and recreation	330,548	-	-	-
Health and welfare	-	-	-	-
Community development	-	-	-	-
Transportation	-	-	-	-
Capital outlay	25,862	-	63,565	7,918
Total Expenditures	<u>356,410</u>	<u>129,573</u>	<u>624,685</u>	<u>371,648</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>82,789</u>	<u>-</u>	<u>(246,508)</u>	<u>45,087</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	297,275	-
Transfers out	-	-	-	(33,623)
Transfer to DeSoto Parish Library	(695,598)	-	-	-
Sale of capital assets	105	-	-	-
Total Other Financing Sources and Uses	<u>(695,493)</u>	<u>-</u>	<u>297,275</u>	<u>(33,623)</u>
Net Change in Fund Balance	(612,704)	-	50,767	11,464
Fund Balances - beginning (restated)	612,704	-	(48,919)	22,158
Fund Balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,848</u>	<u>\$ 33,622</u>

(Continued)

Supplementary Information
Presented for purposes of additional analysis only.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Other Governmental Funds
Year Ended December 31, 2004**

<u>Airport</u>	<u>Special Revenue</u>		<u>Community Services</u>	<u>Capital Projects</u>	<u>Total</u>
	<u>E911 District</u>	<u>Rental Assistance</u>		<u>LCDBG</u>	
\$ -	\$170,407	\$ -	\$ -	\$ -	\$ 170,407
-	-	-	-	-	892,566
-	13,983	-	-	-	13,983
226,851	-	769,398	231,931	83,596	1,311,776
23,739	-	-	-	-	23,739
-	2,011	-	-	-	16,215
8,393	133,147	-	-	-	170,997
-	-	-	-	-	396,822
-	3,302	1,508	-	-	9,556
20,392	4,000	-	-	-	50,281
<u>279,375</u>	<u>326,850</u>	<u>770,906</u>	<u>231,931</u>	<u>83,596</u>	<u>3,056,342</u>
-	-	-	-	3,937	133,510
-	-	-	-	-	363,730
-	328,297	-	-	-	889,417
-	-	-	-	-	330,548
-	-	770,906	-	-	770,906
-	-	-	291,627	-	291,627
63,169	-	-	-	-	63,169
403,080	-	-	-	79,659	580,084
<u>466,249</u>	<u>328,297</u>	<u>770,906</u>	<u>291,627</u>	<u>83,596</u>	<u>3,422,991</u>
<u>(186,874)</u>	<u>(1,447)</u>	<u>-</u>	<u>(59,696)</u>	<u>-</u>	<u>(366,649)</u>
210,000	-	-	-	-	507,275
-	-	-	-	-	(33,623)
-	-	-	-	-	(695,598)
-	-	-	-	-	105
<u>210,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(221,841)</u>
23,126	(1,447)	-	(59,696)	-	(588,490)
(19,571)	400,901	-	18,574	-	985,847
<u>\$ 3,555</u>	<u>\$399,454</u>	<u>\$ -</u>	<u>\$ (41,122)</u>	<u>\$ -</u>	<u>\$ 397,357</u>

Supplementary Information
Presented for purposes of additional analysis only.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Schedule of Compensation Paid to Police Jurors
Year Ended December 31, 2004**

The schedule of compensation paid to police jurors is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the police jurors is included in the legislative expenditures of the General Fund. In accordance with Louisiana Revised Statute 33:1233, The Police Jury has elected the monthly payment method of compensation. Under this method the jurors, except for the president, receive \$1000 per month for performing the duties of their office. The president of the Police Jury receives an additional \$100 (\$1,100) each month.

B. Dewayne Mitchell, President	\$ 13,200
Jarrel O. Burch	11,597
Richard T. Burford, Sr.	12,000
Charles A. Burford	12,000
M. L. Caston	403
H. P. Evans, Sr.	403
Fred Jones	12,000
O. H. Jones	403
Reggie Jones	11,597
Roy Jones	11,597
Sylvester Mayweather	12,000
A.W. McDonald, Jr.	12,000
Clyde Washington	12,000
Wayne Williams	12,000
Total	<u><u>\$ 133,200</u></u>

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Schedule of Expenditures of Federal Awards
Year Ended December 31, 2004**

Federal Grantor/ Pass-Through Grantor Name/ Program Title	CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
UNITED STATES DEPARTMENT OF LABOR:			
Passed through Louisiana Department of Labor:			
Workforce Investment Act:			
Adult Program	17.258	NONE	\$ 2,374,075
Youth Activities	17.259	NONE	1,383,814
Dislocated Workers	17.260	NONE	1,755,794
Total United States Department of Labor			<u>5,513,683</u>
UNITED STATES DEPARTMENT OF JUSTICE:			
Direct Program - Local Law enforcement Block Grant	16.592	2003-LB-BX-0257	35,260
Direct Program - Local Law enforcement Block Grant	16.592	2004-LB-BX-0504	17,729
Passed through the Louisiana Department of Public Safety and Corrections:			
State Domestic Preparedness Equipment Support Program	97.004	NONE	265,945
Total United States Department of Justice			<u>318,934</u>
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Direct Program - Lower Income Housing Assistance Program	14.871	LA230V0	769,398
Passed through Office of the Governor, Division of Administration:			
Community Development Block Grant (States program)	14.228	0563428	83,596
Total United States Department of Housing and Urban Development			<u>852,994</u>
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Passed through Louisiana Department of Social Services:			
Temporary Assistance for Needy Families	93.558	NONE	91,950
Low-Income Energy Assistance Program	93.568	370700338	11,426
Medical Assistance Program	93.778	NONE	1,811
Passed through Louisiana Department of Labor:			
Community Services Block Grant	93.569	98P0080	117,221
Total United States Department of Health and Human Services			<u>222,408</u>

(Continued)

Supplementary Information
Presented for purposes of additional analysis only.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Schedule of Expenditures of Federal Awards
Year Ended December 31, 2004**

<i>Federal Grantor/ Pass-Through Grantor Name/ Program Title</i>	<i>CFDA Number</i>	<i>Pass-Through Grantor's Number</i>	<i>Federal Expenditures</i>
UNITED STATES DEPARTMENT OF TRANSPORTATION			
Passed through the Louisiana Department of Transportation and Development:			
Federal Aviation Administration	20.106	3-22-0029-04-2004	<u>\$ 229,026</u>
UNITED STATES DEPARTMENT OF ENERGY			
Passed through Louisiana Department of Social Services:			
Weatherization Assistance for Low-Income Persons	81.042	370700377	<u>83,284</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Administrative costs - Civil Defense	83.552	NONE	5,008
Direct program - Emergency Management Agency	83.523	NONE	<u>13,181</u>
Total Federal Emergency Management Agency			<u>18,189</u>
Total Federal Financial Assistance			<u><u>\$ 7,238,518</u></u>

**Other Reports Required by
Government Auditing Standards, the Louisiana Governmental
Audit Guide, and OMB Circular A-133**



Certified Public Accountants • Management Consultants • Business Advisors

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With Government Auditing Standards**

DeSoto Parish Police Jury
Mansfield, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining aggregate fund information of the DeSoto Parish Police Jury, as of and for the year ended December 31, 2004, which collectively comprise the Police Jury's primary government basic financial statements and have issued our report thereon dated September 29, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the DeSoto Parish Police Jury's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the DeSoto Parish Police Jury's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 04-11 through 04-18.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 04-11, 04-12, 04-13, 04-14, 04-15, 04-17, and 04-18 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the DeSoto Parish Police Jury's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are reported in the accompanying schedule of findings and questioned costs as items 04-1 through 04-10.

This report is intended solely for the information and use of the DeSoto Parish Police Jury, Mansfield, Louisiana, the Louisiana Legislative Auditor, federal awarding agencies, pass-through entities, and management and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 21:513, this report is a public document and its distribution is not limited.

Smith Pugh & Company, LLP

Smith Pugh & Company, LLP
Certified Public Accountants
September 29, 2005



Certified Public Accountants • Management Consultants • Business Advisors

**Report on Compliance with Requirements Applicable to Each Major Program
and on Internal Control Over Compliance in
Accordance With OMB Circular A-133**

DeSoto Parish Police Jury
Mansfield, Louisiana

Compliance

We have audited the compliance of the DeSoto Parish Police Jury with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. The DeSoto Parish Police Jury's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the DeSoto Parish Police Jury's management. Our responsibility is to express an opinion on the DeSoto Parish Police Jury's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the DeSoto Parish Police Jury's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the DeSoto Parish Police Jury's compliance with those requirements.

As described in items FFA04-01, FFA04-02, FFA04-03, and FFA04-04 in the accompanying schedule of findings and questioned costs, the DeSoto Parish Police Jury did not comply with the requirements regarding documentation and eligibility that are applicable to its Lower-Income Housing Assistance Program (Section 8). Compliance with such requirements is necessary, in our opinion, for the Police Jury to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the DeSoto Parish Police Jury complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

The management of the DeSoto Parish Police Jury is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Police Jury's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the DeSoto Parish Police Jury, Mansfield, Louisiana, the Louisiana Legislative Auditor, federal awarding agencies, pass-through entities, and management and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 21:513, this report is a public document and its distribution is not limited.

Smith Pugh & Company, LLP

Smith Pugh & Company, LLP
Certified Public Accountants
September 29, 2005

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Schedule of Findings and Questioned Costs
December 31, 2004**

A. Summary of Auditor's Results

Financial Statements:

1. The Auditor's report expresses an unqualified opinion on the primary government financial statements of the DeSoto Parish Police Jury.
2. The Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* reports eight (8) reportable conditions related to internal control over financial reporting. Seven of the reportable conditions are considered to be material weaknesses and one (1) is not considered to be a material weakness.
3. The Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* reports ten (10) reportable conditions of noncompliance material to the financial statements.
4. Management's Summary Schedule of Prior Audit Findings is included in the financial statements.
5. No Memorandum of Other Comments and Recommendations was issued.
6. Management's Corrective Action Plan is included in the financial statements.

Federal Awards:

7. The Auditor's report on compliance for the major federal award programs for the DeSoto Parish Police Jury expresses a qualified opinion.
8. The Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 reports no reportable conditions related to internal control over major programs.
9. The Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 reports four (4) audit findings required to be reported in accordance with Circular A-133, Section 510(a).
10. Identification of major programs:
 - CFDA #17.258, 17.259, and 17.260 – Workforce Investment Act Cluster
 - CFDA # 14.871 – Low-Income Housing Assistance Program
11. The threshold for distinguishing between Type A and Type B programs was \$300,000.
12. The DeSoto Parish Police Jury qualifies as a low-risk audittee.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Schedule of Findings and Questioned Costs
December 31, 2004**

B. Findings Relating to the Financial Statements Which are Required to be Reported Under *Government Auditing Standards*.

COMPLIANCE:

Item: 04-1

Criteria or specific requirement:

Louisiana Revised Statute (LSA-R.S.) 24:513(A) (5) (a) requires "audits shall be completed within six months of the close of the entity's fiscal year".

Condition:

The Police Jury's annual financial audit was not completed and filed with the Louisiana Legislative Auditor on or before June 30, 2005.

Questioned costs:

None

Context:

The entity is not in compliance with Louisiana Revised Statute (LSA-R.S.) 24:513(A) (5) (a) for the third consecutive period.

Effect:

The DeSoto Parish Police Jury is in non-compliance with Louisiana Revised Statutes and the reporting requirements of several grants received by the Parish Police Jury.

Cause:

The 2004 financial records were not closed and presented to the auditors for review until June 9, 2005, over five months after the end of the accounting period.

Recommendation:

The DeSoto Parish Police Jury should either:

- Hire an employee educated and experienced in governmental accounting and make that individual responsible for the timely issuance of required financial reports
- Hire an external consultant to ensure the Police Jury's compliance with the requirements of governmental accounting and to provide timely (monthly and annual) financial information to internal and external users.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Schedule of Findings and Questioned Costs
December 31, 2004**

Item: 04-2

Criteria or specific requirement:

Louisiana Revised Statute (LSA-R.S.) 39:1305(A) requires the Police Jury to "cause to be prepared a comprehensive budget presenting a complete financial plan for each fiscal year for the general fund and each special revenue fund".

Condition:

The DeSoto Parish Police Jury did not prepare a budget for the Work Incentive Act Special Revenue Fund for the period ended December 31, 2004.

Questioned costs:

None

Context:

The Work Incentive Act Special Revenue Fund had total receipts of \$5,605,633 during the year ended December 31, 2004.

Effect:

The DeSoto Parish Police Jury is in non-compliance with Louisiana Revised Statute 39:1305(A).

Cause:

Unknown

Recommendation:

The DeSoto Parish Police Jury should adopt an annual budget for the Work Incentive Act Special Revenue Fund.

Item: 04-3

Criteria or specific requirement:

Louisiana Revised Statute (LSA-R.S.) 39:1311 requires the chief executive or administrative officer of the Police Jury to advise the Jury in writing when:

1. Total revenue and other sources plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more.
2. Total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more.
3. Actual beginning fund balance, within a fund, fails to meet estimated fund balance by five percent or more and fund balance is being used to fund current year expenditures

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Schedule of Findings and Questioned Costs
December 31, 2004**

Louisiana Revised Statute (LSA-R.S.) 39:1310 requires the governing authority (Police Jury) to adopt a budget amendment in an open meeting when it receives notification pursuant to R.S. 39:1311.

Condition:

The total actual revenues and other sources within the Library Fund and the Community Services Fund failed to meet total budgeted revenues and other sources by five percent or more. The total actual expenditures and other uses within the General Fund, Road Fund, Solid Waste Fund, Airport Fund, and Criminal Court Fund exceeded the total budgeted expenditures and other uses by five percent or more.

Questioned costs:

None

Context:

Current actual financial information was not available in a timely manner to the chief executive or administrative officer of the DeSoto Parish Police Jury during the year ended December 31, 2004.

Effect:

The DeSoto Parish Police Jury was unable to properly monitor budgetary activity and amend the budgets of the general and special revenue funds as required by Louisiana Revised Statute (LSA-R.S.) 39:1310.

Cause:

The accounting staff of the DeSoto Parish Police Jury is unable to provide monthly financial information to the Jurors in a timely manner.

Recommendation:

The DeSoto Parish Police Jury should either:

- Hire an employee educated and experienced in governmental accounting and make that individual responsible for the timely issuance of required financial reports
- Hire an external consultant to ensure the Police Jury's compliance with the requirements of governmental accounting and to provide timely (monthly and annual) financial information to internal and external users.

Item: 04-4

Criteria or specific requirement:

Louisiana Revised Statute (LSA-R.S.) 38:2212.1 requires that all purchases of materials and supplies in excess of \$20,000 be advertised and let to the lowest bidder according to specifications.

Condition:

The Desoto Parish Police Jury did not publicly advertise for bids for the purchase of fuel and oil for the Road Fund and Solid Waste Fund.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Schedule of Findings and Questioned Costs
December 31, 2004**

Questioned costs:

Unknown

Context:

The Jury paid approximately \$342,500 for fuel and oil in 2004.

Effect:

The entity is not in compliance with Louisiana Revised Statute (LSA-R.S.) 38:2212.1.

Cause:

Unknown

Recommendation:

The Police Jury should strictly comply with the requirements of the Louisiana Public Bid Law.

Item: 04-5

Criteria or specific requirement:

Louisiana Revised Statute (LSA-R.S.) 39:1212 requires "all funds of local depositing authorities shall be deposited daily whenever practicable in the fiscal agency".

Condition:

Deposits for tipping fees collected at the landfill are not made on a daily basis.

Questioned costs:

None

Context:

In one instance, we noted that money was collected and posted to a customer's account on January 30, 2004, delivered by landfill staff to the accounting department at main office of the Police Jury on February 17, 2004, and deposited into the appropriate bank account on February 27, 2004.

Effect:

The DeSoto Parish Police Jury was unable to use these funds in a timely manner and lost almost a full month's interest revenue on this collection. Furthermore, delays in the deposit of funds makes reconciliation of sales collections to bank deposits difficult and increases the possibility of defalcations occurring without being detected.

Cause:

Unknown

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Schedule of Findings and Questioned Costs
December 31, 2004**

Recommendation:

Collections should be deposited into the appropriate bank account as quickly as practicable, on a daily basis when possible.

Item: 04-6

Criteria or specific requirement:

Louisiana Revised Statute (LSA-R.S.) 15:571.11(C)(1) requires that one-half of any surplus remaining in the Criminal Court Fund on December 31 of each year to be transferred to the parish general fund.

Condition:

The surplus due to the General Fund from the Criminal Court Fund at December 31, 2003 (\$15,031) was not transferred during the year ended December 31, 2004.

Questioned costs:

None

Context:

One-half of the remaining fund balance of the Criminal Court Fund as of December 31 of each year is required to be transferred to the General Fund.

Effect:

The amount required to be transferred from the Criminal court Fund at December 31, 2003, was unavailable to fund the activities of the General Fund.

Cause:

Unknown

Recommendation:

The transfer of funds from the Criminal Court Fund to the General Fund required by Louisiana Revised Statute (LSA-R.S.) 15:571.11(C)(1) should be made as soon as the amount is determinable.

Item: 04-7

Criteria or specific requirement:

Article VII Section 14 of the Louisiana Constitution prohibits the loaning, pledging, or donation of the funds, credit, property, or things of value of any political subdivision to or for any person, association, or corporation, public or private.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Schedule of Findings and Questioned Costs
December 31, 2004**

Condition:

Our review of billings and collections of the Eastside Sewer System revealed that fifteen customers had accounts that were significantly past-due. One customer's account was delinquent by 38 months; however, the customer was continuing to receive service.

Questioned costs:

None

Context:

Allowing delinquent customers to continue to receive services is an in-substance loan to that customer.

Effect:

The Eastside Sewer System is unable to provide cash flows sufficient to operate. In 2004, \$30,000 was transferred to the sewer fund from the General Fund to provide cash flows for operation.

Cause:

The Jury has failed to aggressively pursue collection of accounts.

Recommendation:

The DeSoto Parish Police Jury should consult with the District Attorney for legal advice as to how to proceed and enforce collection of delinquent sewer accounts.

Item: 04-8

Criteria or specific requirement:

Federal law provides specific tests to determine whether an individual should be classified as an employee or independent contractor by the employer.

Condition:

Several employees at the landfill were treated as contract labor by the Police Jury. Subsequent review by the Department of Labor resulted in a reclassification of these individuals as employees.

Questioned costs:

\$40,240

Context:

The Police Jury is required to pay a portion of social security and medicare taxes as well as to contribute to the retirement plans of individuals classified as employees.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Schedule of Findings and Questioned Costs
December 31, 2004**

Effect:

Required tax and retirement contributions were not paid for individuals incorrectly classified as independent contractors.

Cause:

Unknown

Recommendation:

We suggest that the jury have the employment status of any individual performing services for the parish whose employment classification (employee/independent contractor) is uncertain reviewed by legal counsel. Care should be exercised to issue federal forms 1099 to independent contractors and federal forms W-2 to individuals classified as employees.

Item: 04-9

Criteria or specific requirement:

Article VII Section 14 of the Louisiana Constitution prohibits the loaning, pledging, or donation of the funds, credit, property, or things of value of any political subdivision to or for any person, association, or corporation, public or private.

Condition:

We noted that the cost reimbursed by the Airport Authority for consignment fuel sold was less than the amount paid by the Jury for that fuel. We also noted that the Airport Authority did not settle their account for sales on a monthly basis. The last settlement for 2004 was for the months of September, October, November and December.

Questioned costs:

None

Context:

Allowing the Airport Authority to purchase fuel at a price less than cost to the Jury constitutes an inappropriate donation of value to the Airport Authority. Similarly, not requiring prompt settlement of consignment sales constitutes an in-substance loan of funds.

Effect:

Loss of funds and the timely use of other funds by the Police Jury.

Cause:

Unknown

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Schedule of Findings and Questioned Costs
December 31, 2004**

Recommendation:

The Airport Authority should be required to promptly settle consignment sales of fuel, on at least a monthly basis. We suggest that Police Jury personnel review the mathematical calculations of the settlement to ensure that proper fuel costs are reflected and that under no circumstance, is the Jury paid less than the actual cost per gallon for fuel.

Item: 04-10

Criteria or specific requirement:

Police juries may sell movable property at public auction or through public advertisement and bidding law. Attorney General Opinion 80-771 (R.S. 41:131; R.S.49:125; R.S. 33:4711)

Condition:

On September 20, 2004, the DeSoto Parish Police Jury sold a case tractor and a 1978 D3 Caterpillar dozer by sealed bid without public notification of the bid through the official journal.

Questioned costs:

None

Context:

The sale of surplus movable property should precisely follow the requirements of the Louisiana Bid Law. The sale of surplus property by sealed bids requires advertisement to be published two times in the locality, the first advertisement to appear at least fifteen days before the opening of the bids.

Effect:

The Police Jury is in non-compliance with Louisiana Revised Statutes.

Cause:

Unknown

Recommendation:

The Police Jury should properly advertise all sales of surplus property.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Schedule of Findings and Questioned Costs
December 31, 2004**

INTERNAL CONTROL:

Item: 04-11

Criteria or specific requirement:

Under the modified accrual basis of accounting, customer accounts receivable are recorded when the sale is made and are reported in the financial statements as a current asset with an allowance account representing amounts expected to be uncollectible. The general ledger account reporting these receivables is commonly referred to as a "control account" and is substantiated by a detailed trial of the individual accounts comprising the account total.

Condition:

The general ledger for the Solid Waste Fund does not include a control account for customer receivables "tipping fees." The detailed trial of the individual customer accounts receivable is not reconciled to the control account on a monthly basis. The detailed aged trial balance report for customer's receivables (tipping fees) revealed that \$214,904 was due to the DeSoto Parish Police Jury at December 31, 2004. Of this amount, individual accounts totaling \$142,989 were over sixty days past due.

Questioned costs:

None

Context:

Monthly reconciliations of the detailed trial balance of the individual customers' accounts receivable to the general ledger control account will assist in ensuring that charges and payments are flowing properly through the accounting system.

We requested an aged trial balance of the individual customers' accounts as of December 31, 2004 from landfill management. Management informed us that the software was unable to generate a trial balance of customers' accounts. We then reviewed the website for "Waste Works" by Carolina Software (the software used at the landfill) and noted that this software could provide the requested information. We provided management copies of the instructions to prepare this report.

Effect:

The DeSoto Parish Police Jury is uninformed of the total customer receivables due to the landfill and is unable to monitor collection efforts for delinquent accounts. Also, failure to reconcile the subsidiary detailed trial balance to the general ledger control account makes it impossible to ensure that all collections have been properly collected and deposited into the accounts of the Police Jury.

Cause:

Unknown

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Schedule of Findings and Questioned Costs
December 31, 2004**

Recommendation:

A monthly sales report and a detailed subsidiary trial balance of the individual customer accounts (tipping fees) should be printed at the end of each month and forwarded to the treasurer for reconciliation with the general ledger control account. Management at the landfill should never be notified of the control account balance prior to receipt of these reports by the treasurer.

Item: 04-12

Criteria or specific requirement:

Good internal accounting control requires the implementation of procedures designed to detect errors or misappropriations of assets in a timely fashion.

Condition:

The solid waste landfill does not prepare a daily reconciliation of tipping fee tickets to cash receipts and charges to accounts receivable or a daily reconciliation of cash collections to cash receipts and payments on account.

Questioned costs:

None

Context:

Landfill management posts collections to individual customer accounts maintained at the landfill and prepares a summary sheet which lists the checks and cash that is transferred to the accounting department for deposit. The accounting department makes the deposit and records the amount as tipping fee revenue.

Effect:

Without appropriate reconciliations of charges and collections by employees not involved in landfill operation, errors or irregularities might occur without being detected.

Cause:

Unknown

Recommendation:

Landfill personnel should prepare a daily reconciliation of charges for services (scale tickets) to cash collections and charges (increases) in individual customer accounts receivable and forward this report to the Parish Treasurer for posting to the revenue and customer accounts receivable control accounts. Landfill personnel should also prepare a reconciliation of cash forwarded to the accounting department for deposit to cash sales and payments on account (decreases) posted to customers individual accounts receivable. This reconciliation should be forwarded to the Parish Treasurer to support the deposit amount and to provide data for posting of credits to the customer accounts receivable control account. Any non-cash adjustments to customer accounts (credits) should be requested by landfill management in written form and approved by the Police Jury prior to posting to the customer accounts.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Schedule of Findings and Questioned Costs
December 31, 2004**

Item: 04-13

Criteria or specific requirement:

Good asset management requires adequate security procedures to protect the assets of the Police Jury and the *application of accounting and internal control procedures to detect the misappropriation of those assets in a timely fashion.*

Condition:

A perpetual inventory of fuel is not maintained at the solid waste landfill.

Questioned costs:

None

Context:

Fuel is received every two weeks, but neither is measurements made to determine the physical fuel inventory nor are reconcilements of perpetual inventories to the actual physical amounts performed. Regular gasoline is maintained under lock, but diesel fuel is not locked and is accessible to anyone.

Effect:

The fuel inventory located at the solid waste landfill is not adequately protected from theft.

Cause:

Unknown

Recommendation:

Management at the solid waste landfill should maintain a perpetual inventory of all fuels. At the end of each month, a physical measurement of the fuel inventories and readings of the fuel pumps should be taken by an employee of the Jury not working at the landfill. This data should be forwarded to the parish treasurer without review by landfill staff or management. A copy of the perpetual inventory maintained by the landfill management should be forwarded to the parish treasurer at the end of each month. The treasurer should compare the perpetual inventories to the actual measured amounts and reconcile the perpetual inventories to the beginning inventories, fuel purchased during the month and fuel usage per the pump readings. Significant variances should be promptly reported to the Police Jury.

Item: 04-14

Criteria or specific requirement:

Effective internal control requires segregation of incompatible duties.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Schedule of Findings and Questioned Costs
December 31, 2004**

Condition:

The contract between the DeSoto Parish Police Jury and the operator of the Eastside Sewer System requires the operator to send out monthly bills to customers, collect payments from customers, make deposits of all collections on at least a two times a week basis during heavy collections and at least once a week during low collection periods, furnish bank deposits and any required reports for accounting purposes to the Parish by the 20th day of each month, send cut-off notices and plug lines for non-payment.

Questioned costs:

\$2,987

Context:

The operator of the Eastside Sewer System is performing incompatible accounting duties without appropriate mitigating procedures being performed by Jury employees.

Effect:

Errors or irregularities could occur and not be detected by employees of the DeSoto Parish Police Jury.

Cause:

Unknown

Recommendation:

The Police Jury should require the operator to provide, at a minimum, the monthly billing register and the customer receivable trial after posting that month's billing. The operator should be required to make at least weekly deposits of collections. The staff of the Police Jury should reconcile the billings and deposits to the net change in customers' receivables each month to ensure that all collections have been properly deposited. We also suggest that the Jury explore the possibility of a cooperative endeavor agreement with either the City of Mansfield or the provider of electrical service in the area to assist in collection of sewer fees by refusing service to delinquent individuals.

Item: 04-15

Criteria or specific requirement:

Good internal control requires that all expenditures be reviewed and properly approved for payment prior to the disbursement of funds.

Condition:

Currently, the finance committee reviews invoices and approves them for payment. A motion is then made during the regular police jury meeting to pay all approved invoices; however, there is no approval noted on the individual invoices or supporting documents such as the initials of the chairman of the finance committee or president of the police jury. Furthermore, there is no listing of approved invoices included as a part of the minutes of the police jury meeting to document which disbursements were approved.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Schedule of Findings and Questioned Costs
December 31, 2004**

Questioned costs:

None

Context:

There is no documentation of which invoices have been approved for payment or when approval for payment was given.

Effect:

Disbursements of Jury funds could be made without appropriate approval for payment.

Cause:

Failure to document finance committee approval for payment.

Recommendation:

We noted that the in prior periods a stamp "Approved Finance Committee", with lines for signatures by members of the finance committee, was used to document approval of an invoice or supporting document for payment. We recommend that this procedure be renewed. At least two members of the finance committee should sign off and date under the stamped approval.

Item: 04-16

Criteria or specific requirement:

Good internal control requires management to accumulate documentation that will facilitate the independent verification of reported revenues and expenditures.

Condition:

During our examination we noted that the Airport Authority did not provide copies of the hanger contracts to the management of the DeSoto Parish Police Jury. We also noted that the Airport Authority does not provide copies of pre-numbered cash receipt tickets with the funds provided to the Police Jury for deposit.

Questioned costs:

None

Context:

The hanger contracts can be used by the Police Jury to estimate the annual hanger rental revenue. The pre-numbered receipt tickets can be reviewed to ensure the completeness of the numerical sequence.

Effect:

Errors might occur and not be detected in a timely manner.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Schedule of Findings and Questioned Costs
December 31, 2004**

Cause:

Unknown

Recommendation:

We suggest that the Airport Authority be required to provide copies of all hanger contracts to the management of the Police Jury. We also suggest that copies of pre-numbered and sequentially issued cash receipts be included with all funds provided to the Jury for deposit.

Item: 04-17

Criteria or specific requirement:

Strong internal control requires a matching of source documents with revenues received.

Condition:

Citations issued by parish enforcement officers for trucks not permitted to travel certain parish roads may be changed to warning tickets by the officer or the road superintendent by noting "WARNING" on the ticket.

Questioned costs:

None

Context:

This policy prevents the matching of expected revenues to actual deposits.

Effect:

Misappropriation of parish funds could occur and not be detected in a timely manner.

Cause:

The parish does not use a separate "Warning" ticket.

Recommendation:

We suggest that parish enforcement officers be provided separate pre-numbered "Warning" tickets of a different color. All "Warning" tickets and citations must be issued in sequential order and a copy of each must be provided to the road superintendent. We suggest that a monthly report of warnings and citations issued which provides all pertinent information be provided to the parish treasurer and the chairman of the road committee. In the event that a citation is requested to be reduced to a warning, a written request with the signed approval of the chairman of the road committee must be attached to the issued citation.

Item: 04-18

Criteria or specific requirement:

The financial statements should present the actual assets and expenditures of the Police Jury.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Schedule of Findings and Questioned Costs
December 31, 2004**

Condition:

Several checks were voided but not reversed in the financial statements.

Questioned costs:

None

Context:

The cash available to the Jury was understated and the expenditures were overstated by the amount of the voided checks.

Effect:

Checks could be issued to other unauthorized payees in the amounts voided and clear without detection by accounting staff.

Cause:

Accounting staff did not record voided checks in the financial records of the Jury.

Recommendation:

All voided checks should be immediately recorded in the financial statements of the Police Jury and removed from the bank reconciliation. Accounting staff should verify the check number of all clearing transactions when performing the monthly bank reconciliations.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Schedule of Findings and Questioned Costs
December 31, 2004**

C. Findings and Questioned Costs for Major Federal Award Programs Audit

Item: FFA04-01

Criteria or specific requirement:

The goal of the Housing Choice Voucher program is to provide "decent, safe, and sanitary" housing at an affordable cost to low-income families. To accomplish this, program regulations set forth basic housing quality standards (HQS) which all units must meet before assistance can be paid on behalf of a family and at least annually throughout the term of the assisted tenancy.

Abatement of Payments

"The PHA must abate HAP payments to owners who do not comply with notifications to correct HQS deficiencies within the specified time period: 24 hours or 30-days depending upon the nature of the deficiency. For valid reasons, the PHA may extend the time period. Placement of abatement must occur by the first of the month following expiration of the notice.

Except in the case of life threatening violations requiring corrections within 24 hours, the owner must receive 30-day written notification of the abatement. Therefore, it is important that PHAs include the 30-day notice to abate in the original violations notice."

24 CFR 982.404

(Housing Choice Voucher Program Guidebook, 10-1, 10-27, 10-28, 10-29)

Condition:

V-139, V-181

We noted two separate occurrences where HAP payments were made when required repairs had not been completed before the new certification or recertification date began.

Questioned costs:

HAP payments made for dates spanning the portion of the certification period when repairs were pending.

Context:

HAP payments must be abated if repairs are not made within 30 days of the inspection and certainly must be abated on the date of recertification if repairs are not complete or an extension is not granted.

Effect:

Improper payments were made to owners.

Cause:

Unknown

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Schedule of Findings and Questioned Costs
December 31, 2004**

Recommendation:

The PHA should abate HAP payments to owners who do not comply with notifications to correct HQS deficiencies within the specified time.

Item: FFA04-02

Criteria or specific requirement:

Leasing units to family members is in violation of the Housing Choice Voucher regulations:

D. The family, (including each family member) must not:

8. Receive housing choice voucher program housing assistance while residing in a unit owned by a parent, child, grandparent, grandchild, sister or brother or any member of the family, unless the PHA has determined (and has notified the owner and the family of such determination) that approving rental of the unit, notwithstanding such relationship, would provide reasonable accommodation for a family member who is a person with disabilities.

24 CFR 982.551(j)

Form HUD-52646 ref. Handbook 7420.8 (Housing Choice Voucher)

Condition:

V-000241

Tenant 000241's landlord is 310129. The unit receiving assistance is located at 7676 Hwy 509, Mansfield, LA, which was also the documented mailing address of the landlord, and the address to which the HAP payments were mailed each month. There is no documentation in the tenant's file indicating that she is disabled, and she does not receive SSI. This situation also puts into question as to whether the owner also resides in the unit.

Questioned costs:

Monthly HAP payments made to landlord 310129.

Context:

Leasing to relatives is a violation of the Housing Choice Voucher contract

The purpose of the housing choice voucher program is to provide rental assistance for needy families. HAP is not intended for making mortgage payments for tenants or their relatives.

Effect:

The landlord/tenant is not in compliance with voucher requirements

Cause:

Lack of proper voucher orientation or tenant/landlord fraud.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Schedule of Findings and Questioned Costs
December 31, 2004**

Recommendation:

Policy should be put into place to thwart accidental or fraudulent rental to family members.

Prospective tenants should receive instruction during voucher orientation. New landlords should also receive orientation to make them aware of HUD regulations.

Item: FFA04-03

Criteria or specific requirement:

Proper verification is required to verify potential tenants' identity and eligibility for the Section 8 program, and to ensure accurate calculation of rental assistance subsidies.

24 CFR 982.551

Condition:

Of fifteen (15) files examined, two(2) files had no photo identification of the head of household, five (5) files were missing one or more birth certificates, three (3) files were missing Social Security cards, one (1) file had no income verification, and three (3) files calculated rent using one or more check stubs. Two (2) files revealed grandchildren living in the household without appropriate verification of guardianship.

Questioned costs:

Undetermined

Context:

The PHA is not in compliance with Federal Regulations.

Effect:

Inaccurate rent calculations and the inability of the housing authority to properly identify potential tenants and obtain background checks in compliance with the "one strike" rule.

Cause:

Unknown

Recommendation:

The housing authority should have detailed policies in its administrative plan specifically describing the types of verifications required. The housing authority should also have written policies regarding documentation requirements for use of less than optimal forms of verification.

Item: FFA04-04

Criteria or specific requirement:

HAP payments cannot be made outside of the dates of certification submitted on HUD Form 50058.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Schedule of Findings and Questioned Costs
December 31, 2004**

24 CFR 982.311(a)

Condition:

There were nine (9) files that reflected instances of HAP payments being paid and/or prorated for periods that were questionable for the following reasons:

1. The effective date on the 50058 was after the effective date on the HAP notification mailed to the tenant and landlord.
2. The 50058 effective dates were prior to the dates contracts were completed by the tenant and landlord.

Questioned costs:

Undetermined

Context:

HAP payments were made outside of the dates of certification submitted on HUD Form 50058.

Effect:

Considering the large percentage of files affected by this condition in the sample, and the number of vouchers and voucher activity at this housing authority, substantial amounts of funding are being lost.

Cause:

Unknown

Recommendation:

The housing authority must define specific instructions in the administrative plan detailing conditions that must be met before HAP payments can be made, and ensuring that effective dates reported on the 50058 are accurate.

Tenants and landlords must be advised during briefings and prior to lease up that the housing authority is not responsible for dates of occupancy which fall outside the certification period, which would include dates of occupancy during which repairs have not been made, contracts have not been completed, utilities not connected, etc.

Housing authority personnel should receive training to ensure they are informed and kept abreast of changes required to perform their job accurately.

**DeSoto Parish Police Jury
Mansfield, Louisiana**

**Management's Summary Schedule of Prior Audit Findings
Year Ended December 31, 2004**

Finding 03-01 – Need to comply with State Reporting Laws

Status: Unresolved for fiscal year ended December 31, 2004. See Finding 04-1.

Finding 03-02 – Need to Comply With Budget Act

Status: Unresolved for fiscal year ended December 31, 2004, See Finding 04-3

Finding 03-03 – Need to Maintain Current Accounting Records

Status: Unresolved for fiscal year ended December 31, 2004. See Findings 04-01 and 04-3.



DeSoto Parish Police Jury

P.O. Box 898 Mansfield, Louisiana 71052
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Dear Gentlemen:

OFFICERS

Dewayne Mitchell
President

Clyde "Coach" Washington
Vice President

William C. Smith
Parish Administrator

Shirley C. Wheless
Secretary

Linda Gatlin
Treasurer

MEMBERS

Charles A. Burford
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Mansfield, LA 71052
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Mansfield, LA 71052
District 4C

Sylvester Mayweather
Mansfield, LA 71052
District 4D

Reggie Roe
Frierson, LA 71027
District 5

Fred Jones
Pelican, LA 71063
District 6

In response to the findings in our audit for year ending December 31, 2004, we submit the following comments:

- Item 04-1. We have consulted with another accounting firm to help us close out our 2005 ledger in order to comply with this statute.
- Item 04-2. The budget for the Work Incentive Act Special Revenue Fund will be adopted in subsequent years.
- Item 04-3. Our goal is to have monthly financial statements available during the year of 2006 in order to monitor the revenues and expenses and compare the actual to budget. The outside accounting firm is going to begin as soon as possible assisting the staff in producing timely financial information for management.
- Item 04-4. Bids for fuel were let as soon as we were made aware of this finding. The bids were opened in November 2005.
- Item 04-5. The landfill is several miles from the city and our main office. However, the landfill staff is now required to balance the cash account on a daily basis and transport the monies to the main office as often as possible.
- Item 04-6. The surplus in the Criminal Court Fund will be transferred as required as soon as determinable.
- Item 04-7. The Jury plans to discuss our options with the District Attorney and proceed with enforcement of the collection of the sewer fees and/or discussing with the City of Mansfield the need for their cooperation in cutting off the water when the sewer fees are not collected timely.
- Item 04-8. We have apprised ourselves of the independent contractor/employee classification rules. The proper compliance forms will be issued for 2005.
- Item 04-9. The Airport independent contractor will be required to submit timely reimbursement reports. Management will review these reports for unusual costs and the fuel costs will be closely monitored.
- Item 04-10. The assets in question were advertised, but at the time no bids were submitted. The assets were subsequently sold without readvertisement. This will not be done again.
- Item 04-11. The Solid Waste department is now required to submit monthly receivable reports and as noted in finding 04-5 is now balancing cash daily. The

reports submitted have the breakdown of sales by charges, collections, and credits. These reports can be used to record to a control account in the general ledger and review for irregularities.

Item 04-12. This finding will be corrected as per Item 04-11 and 04-5.

Item 04-13. The jury is studying ways to improve security for the fuel at the landfill. We will begin by maintaining a log of fuel usage by vehicle and reconcile usage to the physical inventory at the end of each month.

Item 04-14. The Eastside Sewer employee will be required to submit monthly billing and collection registers in order to monitor the outstanding receivables. Also see response 04-7.

Item 04-15. The finance committee is now approving the invoices and signing and dating the statements to denote approval.

Item 04-16. The jury is in the process of obtaining the airport hanger contracts for their files. Copies of the cash receipts tickets will be reviewed to determine that all monies are deposited as required. An estimate of monthly airport revenue will be calculated and compared to actual as a management tool.

Item 04-17. The jury will require that someone other than the issuing officers reduce tickets to warnings. The road superintendent and/or committee will review the sequentially ordered ticket copies with collections periodically. Cash receipts will be compared to the collections as a check figure.

Item 04-18. Bank reconciliations will be reviewed monthly for the inclusion of voided checks and then initialed. Old outstanding checks will be reviewed also.

Item FFA04-01. Abatement of payments when HQS required repairs are not completed 24 CFR 982.404

The PHA will abate payments, as has been the previous practice, however, detailed paper trail of granted extensions will be documented in files. When check is printed it is never released to landlord until repairs have been completed. Extensions are granted verbally and documentation not placed in the file itself. In order to clearly reflect this practice documentation will be placed in the file. In accordance with 24 CFR 982.404 (4) PHA can give extension for needed repairs.

Item FFA04-02. Criteria or specific requirements: 24 CFR 982.551 (j) V-000241 landlord 310129

This particular client was approved to live in her daughter's home, due to the shortage of housing and hardship in locating unit. This contract was cancelled effective August 2005. This problem no longer exist.

To insure proper client/landlord relationship client and new landlords will receive orientation, clearly explaining HUD regulations.

Item FFA04-03. Proper identification and eligibility: 24 CFR 982.551. Background checks are not required of the Section 8 program. But, as noted in Administrative Plan Chapter 2 Page 6 "DPPJ (DeSoto Parish Police Jury) HP (Housing Program) may conduct background check....." The PHA is given the ability to make checks but is not required to do so. However, this PHA will begin requiring background checks if board wants to pursue.

Photo ID's are not required through HUD regulations, to be in files, birth certificates and social security cards requirement can be fulfilled by supplemental forms for verification as noted in 24 CFR 5.216 (f). However, this PHA will begin requiring a picture ID on all clients. Check stubs can be used as a means to determine income if PHA cannot get third party verification response. However, now PHA is able to get third party verification through EIV system provided by HUD, thus clearing the need for check stubs.

Item FFA04-04. HAP payment cannot be made outside the dates of certification submitted on HUD form 50058. – 24 CFR 92.311 (1)

The effective date on the 50058 is the date that the data is transmitted into the computer not the effective date of the data and file. No payments were made outside dates of contracts in compliance with 24 CFR 982.302 (c), (3). "..... The HAP contract must be executed no later than 60 days from the beginning of the lease term."

Most of the lease terms show to continue on month-to-month basis after initial term expires, thus eliminating a chance that the tenant would be left without assistance between lease terms.

This PHA will not make payments of units for dates of occupancy which fall outside the certification period, including time repairs have not been made after given notice, contracts not complete or utilities not connected.

PHA personnel will continue to receive training to ensure proper compliance of regulations and HUD requirements.

Respectively Submitted,
DeSoto Parish Police Jury

A handwritten signature in black ink, appearing to read "B. D. Mitchell".

B. D. Mitchell
President